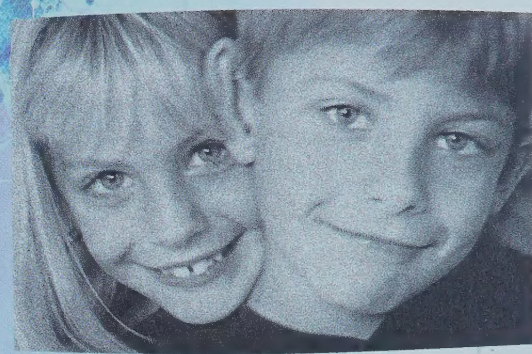
SHAW COMMUNICATIONS INC.

CABLE

1997

TELECOMMUNICATIONS



Annual Report

MEDIA

going above and beyond

SATELLITE

>01 >02 >03 >04

SHAW

CABLE

Shaw Cablesystems
WAVE™
DMX
Advertising Services

Cable television has approximately 1.5 million subscribers or approximately 18 percent of the Canadian cable market. Services are provided in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario. Operations consist of the distribution of cable television using both analog and digital technology, advertising services, high-speed cable Internet access using WAVE™, and Digital Music Express (DMX).

STRATEGIC GOALS

To grow the business by: (1) adding new services; (2) increasing the number of new subscribers; (3) selling more services to existing customers and (4) employing the best people and providing them with training and incentives in order to provide the customer with the best possible service. To be the low-cost, high-quality service provider by employing the best people and technology and maintaining a critical mass of approximately 1.5 million subscribers, clustered in an efficient and effective manner.

TELECOMMUNICATIONS

Shaw FiberLink
Shaw MobileComm
Microcell

The Telecommunications group consists of two companies – Shaw FiberLink Ltd. and Shaw MobileComm Inc. – and a strategic investment in Microcell Telecommunications Inc.

Shaw FiberLink is the business telecommunications division and provides fiber optic based local connections for the data, video, voice and Internet needs of Canadian businesses.

Shaw MobileComm is the paging and telephone message management division of Shaw and is the third largest paging company in Canada. MobileComm provides paging service through direct sales channels to consumers and businesses and is now co-branding pagers with other Shaw companies such as CFNY-FM, YTV and CMT.

Shaw owns a 10 percent interest in Microcell Telecommunications Inc. – a wireless PCS (Personal Communications Services) network provider. Microcell is one of only two companies to hold a national 30 MHz licence for providing PCS services.

STRATEGIC GOALS

FiberLink – Significantly grow and diversify the Company by taking advantage of the new market opportunities available within an increasingly deregulated telecommunications industry. Be the market leader in delivering high-quality business telecommunications products and services by leveraging the advantages of the Shaw network infrastructure.

MobileComm – Generate customer growth by focusing on the consumer paging market, especially the 18 to 40 age group, through product co-branding and retail sales.

MEDIA

Programming
Radio

Programming – Shaw's two largest programming investments are YTV, the youth network (100 percent) and CMT, Country Music Television (80 percent). YTV is the number one viewed specialty network and CMT is one of the fastest growing of the new networks launched in 1995. Other strategic assets include wholly-owned TreeHouse (children aged two to six) launched in the fall of 1997 and minority interests in The Comedy Network, Teletoon, Headline Sports and Telelatino.

Radio – Shaw owns and operates 11 radio stations in Alberta, British Columbia and Ontario. Eight of the 11 stations are rated either number one or two in their prime demographic. Music formats include Rock, Country, Easy, Adult Contemporary and Dance.

STRATEGIC GOALS

Programming – Provide growth, diversification and synergistic benefits, by creating a significant presence in specialty programming networks using YTV and CMT as the foundation. Develop merchandising and licensing opportunities to further enhance revenue.

Radio – Increase revenues and profits by being rated number one or two in their respective markets and through strategic acquisitions. Continue to locate radio stations in the Company's major cable markets thus providing synergies and support for other operations of the Company.

SATELLITE

Star Choice Television

Star Choice, in which Shaw has an interest of approximately 54 percent (subject to CRTC approval), is currently one of two licensed DTH satellite operators distributing digital subscription video and audio programming services throughout Canada. Star Choice also provides uplink services to Canadian specialty and pay television programmers to transmit their signals to a satellite for delivery to cable operators and other distributors and has applied to the CRTC for a licence to deliver via satellite to cable operators and other distributors a broad array of authorized Canadian and U.S. television signals.

STRATEGIC GOALS

Star Choice's objective is to become the leading provider of satellite-delivered video and audio programming services throughout Canada. Star Choice's business strategy is to develop, from a single digital infrastructure, three complementary revenue streams (DTH, uplinking and wholesale signal distribution) having a single cost base. It will also increase its product and services as planned increased transponder capacity becomes available.

INDUSTRY OUTLOOK

The industry is in transition from a highly regulated environment to one based on fair and sustainable competition. The transition is now expected to take approximately two years. Shaw has been firmly focused on using the transition period to position itself for continued success in a competitive environment by establishing itself as the preferred supplier of home entertainment services at the lowest possible cost.

1997 PERFORMANCE

Cable television generated revenue of $542 million with operating margins of 47 percent. The cable division continues to be a leader in operating margins. Basic subscribers increased by over 48,000 or three percent while full cable service in Tier II increased by 16 percent or 156,000 subscribers.

INDUSTRY OUTLOOK

The Canadian Telecommunications services market is a $22 billion industry and is growing at 10 percent per year. Data communications is growing at a rate of over 25 percent per year and the Internet has doubled in size in the last 12 months. Recent regulatory decisions have set the stage for opening the entire industry to full competition. Shaw is well positioned for significant market share and revenue growth as it competes with incumbents for existing customers and as it develops and launches new products and services.

1997 PERFORMANCE

FiberLink revenue doubled from $6.3 million in 1996 to $14.2 million in 1997.

Paging revenue increased to $28.8 million from $26.2 million while total subscribers rose to 117,253 from 116,238 the previous year.

INDUSTRY OUTLOOK

Programming – The customers' demand for choice will create an industry with very significant growth, as evidenced by the launch of 12 new specialty networks. Ownership of programming, creation of content, licensing and networking, offer many new and attractive opportunities.

Radio – The industry is experiencing a return to positive growth and is preparing for the introduction of digital radio in the near future. Digital broadcasting is expected to commence in Toronto early in 1998. The CRTC will review radio regulations in late 1997 with a view of allowing existing licence holders to own more than one AM and one FM station in a market. This will result in a stronger industry, provide enhanced services for listeners, and create an opportunity for increased growth.

1997 PERFORMANCE

Total revenue for YTV and CMT was $61.9 million in 1997 while operating income was $14.9 million, a 12 percent increase from 1996.

Radio revenue rose from $29.7 million in 1996 to $41.1 million in 1997 while operating margins improved from 29.9 percent to 35.6 percent.

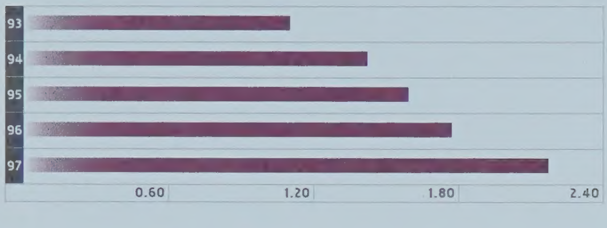
INDUSTRY OUTLOOK

Of the approximately 11.3 million television households in Canada in 1996, Star Choice believes that the prospective target markets for digital DTH subscription television services in Canada are, in order of attractiveness, (i) approximately 1.1 million households unserved by cable and with limited access to broadcast signals; (ii) approximately 1.3 million households that are underserved by cable, i.e. households served by cable systems that offer fewer than 40 channels; (iii) approximately 2.5 million households that have access to, but do not subscribe to, cable; and (iv) approximately 6.5 million households that subscribe to cable systems that offer 40 channels or more. In addition, Star Choice estimates that there are approximately 1.0 million seasonal homes unserved by cable. The satellite coverage of Star Choice's digital DTH service will permit cost-effective delivery of extensive programming options (up to approximately 100 video and audio channels) to its primary target markets, households that are either unserved or underserved by cable. Telesat, the regulated provider of transponder capacity, plans to increase existing capacity by launching new satellites within the next few years.

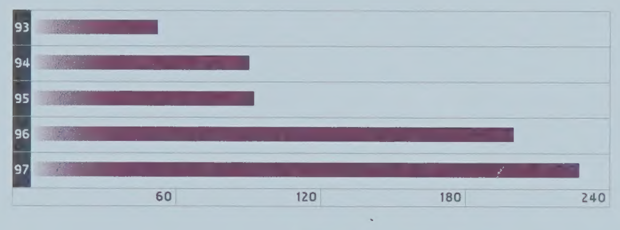
1997 PERFORMANCE

Star Choice launched its national service in the fall of 1997 and was the first of the two licensed operators to market. At October 31, 1997, Star Choice had 23,000 subscribers.

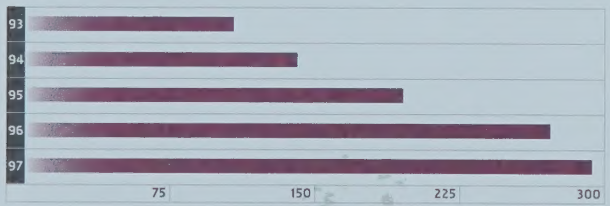
CASH FLOW PER SHARE
[$]



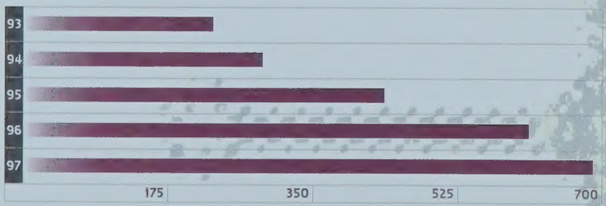
CAPITAL EXPENDITURES
[$ millions]



OPERATING INCOME
BEFORE AMORTIZATION
[$ millions]



REVENUE
[$ millions]



Shaw is an electronic link to millions of people through cable television, telecommunications, high-speed Internet access, paging, specialty programming networks, radio, satellite and the digital delivery of music. The Shaw name is widely known and well respected.

The Company believes its future growth and prosperity will be a function of its ability to deliver the highest quality products and services to customers. To facilitate this, Shaw has developed a corporate culture that promotes an acute sense of customer responsibility and employee commitment. This is fostered in a challenging environment which recognizes and actively rewards excellence.

Shaw's Good Samaritan program celebrates the Company's objective to go "Above and Beyond" in every interaction with the customer. Our employees have embraced this philosophy whole-heartedly and demonstrated that they can make a difference. This annual report is dedicated to them and the customers they serve each and every day.

Shaw Communications Inc. is a diversified Canadian communications company and one of the largest cable television operators in the country. With approximately 1.51 million subscribers, Shaw serves about 18 percent of the Canadian cable television market.

[thousands of dollars except as indicated]	Years ended August 31	
RESULTS OF OPERATIONS	**1997**	1996*
Total revenue	**688,363**	610,574
Operating income before interest, amortization and income taxes	**293,162**	271,611
Net income from operations before the following	**16,592**	13,085
Gain on sale of cable systems		67,042
Provision for loss on discontinuance of paging		(16,374)
Net income	**16,592**	63,753
Cash flow from continuing operations	**151,747**	123,695
Capital expenditures	**227,003**	199,778
PER SHARE DATA		
Earnings per share:		
Net income from operations before the following	**$ 0.24**	$ 0.18
Gain on sale of cable systems		0.96
Provision for loss on discontinuance of paging		(0.23)
	$ 0.24	$ 0.91
Cash flow per share	**$ 2.17**	$ 1.77
Weighted average shares outstanding (000s)	**70,008**	69,999
FINANCIAL POSITION		
Total assets	**2,450,201**	2,187,881
Long-term debt	**1,478,251**	1,277,349
Shareholders' equity	**579,376**	567,594
Debt to cash flow ratio	**4.91 to 1**	4.89 to 1
CABLE TELEVISION		
Average basic subscribers	**1,509,407**	1,460,885
Revenue per subscriber	**$365.00**	$351.00
Operating income per subscriber	**$173.00**	$166.00
Operating margin	**47.3%**	47.4%

*Restated – see notes 1 and 2 to the Consolidated Financial Statements

Mission To deliver a broad array of high-quality, high-value entertainment, information and communications services to our customers utilizing a variety of distribution technologies.

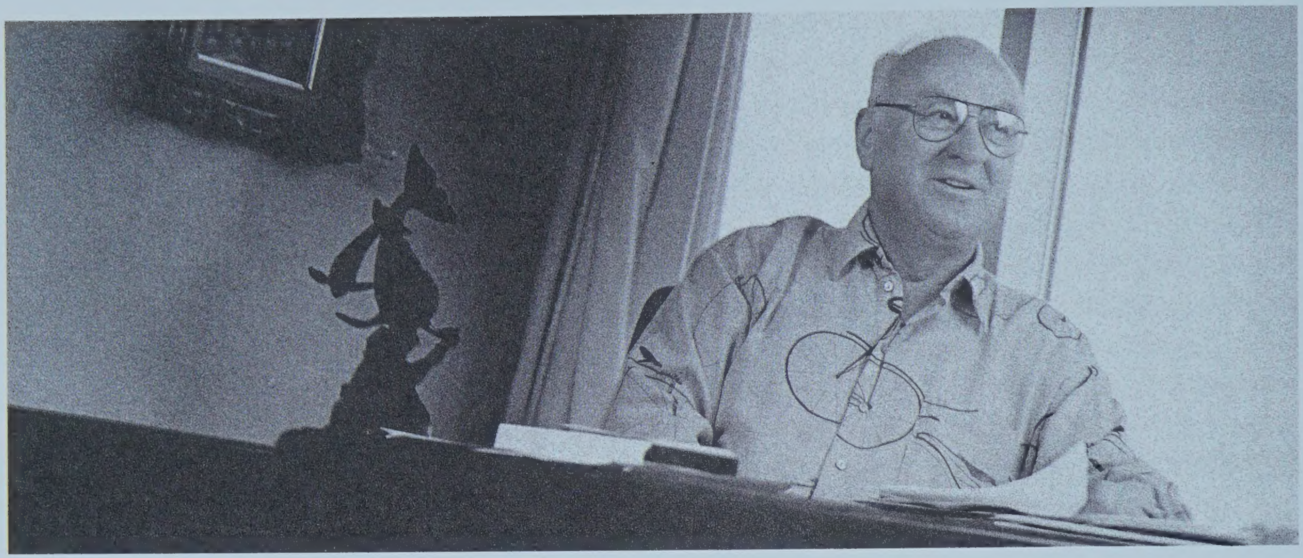
In 1997, Shaw implemented a number of initiatives which have strengthened the Company and enhanced its position in terms of future results and the potential impact of competition. As a result, the Company believes it is well positioned to facilitate its future growth as a diversified, innovative facilities-based entertainment and communications services provider. Shaw's cable plant employs the most advanced technology available in North America and was the platform for the roll-out of digital cable services, Internet access and the residential digital music service DMX, as well as the expansion of FiberLink's telecommunications activities during 1997. In addition, the newly established Media division featured significantly improved results by YTV and CMT and the continued strengthening of the Company's radio operations through acquisitions and natural growth. Shaw also expanded its satellite services division as a result of its merger (subject to CRTC approval) with Star Choice Communications Inc.

Shaw is focused and committed to growing its cash flow in order to be able to support growth and the market value of its stock. Cash flow per share rose from $1.77 to $2.17, a 22.6 percent increase. This increase can be directly attributed to substantial progress in the main operations of the Company, particularly in cable television, which achieved a growth of 48,522 basic subscribers (3.3 percent), 74,445 Full Cable Service (FCS) subscribers (5.8 percent) and an increase of 156,402 subscribers (15.7 percent) receiving the Tier II level of FCS. The launch of the new 12-channel Tier III in October is being very well received by subscribers and will be important in sustaining the momentum in growth in revenue and operating income achieved in 1997.

Going forward, it will be necessary to position cable, the core business of the Company, to grow in an increasingly competitive environment. Spending on marketing, communication and brand awareness more than doubled during the current year. The Company will continue to devote more time and resources to these areas in order to strengthen its market position and to establish itself as the preferred supplier of cable television services. Capital expenditures have also risen as the Company upgrades and enhances its infrastructure to provide digital transmission and ensure that customers have the capability to receive new products and services. Providing the customer with service, quality, choice and new services at an attractive value will ensure that the Cable division can compete effectively in the new environment.

The Radio division continues to perform well and remains a strong contributor to the overall success of the Company. Revenues rose by 38 percent

Shaw believes it is uniquely positioned to facilitate its future growth and prosperity as a diversified, innovative, facilities-based communications provider. Our cable plant and technology is one of the most advanced in North America which allows the Company to develop and market new services.



"Shaw has entered an exciting new stage in its development as one of Canada's leading multimedia entertainment and communications companies. Through our technically sophisticated infrastructure, we provide customers with the widest range of integrated media, video, audio and data services."
JR Shaw

while margins increased from 29.9 percent to 35.6 percent due to a combination of acquisitions, revenue growth and cost controls. The Company will continue to focus on these elements for future growth. In addition, the CRTC is reviewing the possibility of allowing individuals or companies to own more than one FM and one AM station in a given market. Such a change would be conducive to a stronger and more profitable radio industry for stakeholders and provide more programming diversity for listeners.

Shaw's programming activities are contributing positively to the growth and diversification of the Company. First year results for YTV and CMT were encouraging and provide the nucleus for future expansion. With the addition of TreeHouse and investments in Teletoon, The Comedy Network, Headline Sports and Telelatino, Shaw has expanded its programming presence and provided customers with a broader choice of entertainment. The Company has also recently applied for licences for three new specialty networks: Edge TV (100 percent), an alternative music video channel; CHAOS (60 percent), a service targeted at teenagers and young adults; and the The Food Channel (20 percent).

The FiberLink division experienced significant growth with revenues more than doubling to $14.1 million in 1997. The May 1997 CRTC decision favouring facility-based competition versus reseller-type competition greatly enhanced the position and value of FiberLink. With its strong fiber network, access rights and synergy with cable, FiberLink will continue to provide diversity for Shaw and enhanced value for shareholders.

Direct-to-home (DTH) satellite service became a reality in Canada when Shaw merged with Star Choice Communications Inc. The combined entity now has the necessary transponder capacity and distribution network to provide an enhanced program offering on a cost-efficient basis and a strong management team to successfully develop the business. Star Choice was the first licensed Canadian DTH service to launch in Canada, and had approximately 23,000 subscribers by the end of October.

In the summer of 1997, Shaw approached the financial markets with a unique offering of Canadian Originated Preferred Securities ("COPrS") that proved to be very successful. In conjunction with the offering, Shaw applied to various rating agencies and received an investment grade rating, ranking it at the time as the second highest of any Company in its peer group in North America. The Company raised approximately

$300 million from the issue which was completed on October 2, 1997. Due to the unique characteristics related to security, maturity, interest deferral and the method of satisfying obligations, the COPrS, which have an after-tax cost of 4.7 percent, will be treated as equity in the financial statements. This treatment will provide the Company with financial flexibility in carrying out its growth and diversification strategy.

Significant management expertise was added to the Shaw team during 1997. Paul Robertson was appointed President of YTV. His extensive leadership skills, business experience and vision are positively contributing to YTV's continued growth and achievements. In September, John Cassaday, previously President and CEO of CTV Television, joined Shaw as President and CEO of the newly formed Media division consisting of the Company's programming and radio operations. Carl Vogel has become Chief Executive Officer of Star Choice. Carl was previously President of Echo Star, a DTH satellite provider in the U.S. Star Choice will benefit from his extensive experience in the subscriber-based DTH business.

The Company acknowledges the important contribution made over the years by Cathy Roozen, who recently resigned from the Board of Directors.

Jim Dinning, the former Treasurer of Alberta and one of the architects of Alberta's emergence as a fiscally strong and growing province, has joined Shaw's Board of Directors. We are confident that his significant experience will be invaluable to the Company's future growth and development.

The fine results that were achieved in fiscal 1997 could not have been attained without the dedication and efforts of the many employees that comprise "team Shaw". There is no question that this team culture is one of our greatest competitive advantages. It is this advantage that will allow the Company to continue going "Above and Beyond" for its customers and its shareholders.

JR Shaw
Chairman of the Board and
Chief Executive Officer

Jim Shaw
President and
Chief Operating Officer

"In today's competitive environment, we must continue to lead in the development of new products and technology, and the provision of service. Shaw is aggressively implementing new technologies and services that provide our customers with unprecedented choice, convenience and value."

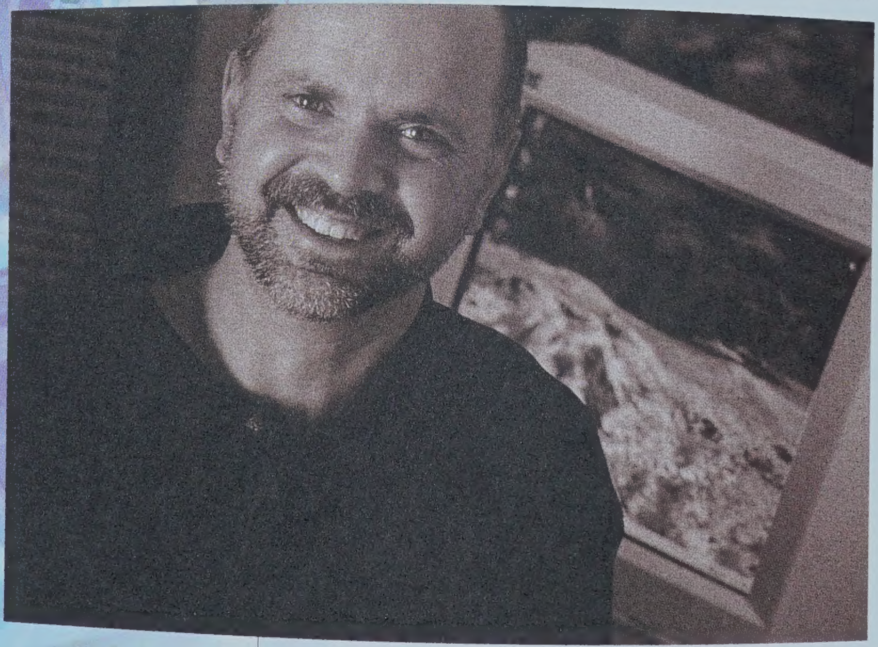
Jim Shaw

"Here was this elderly lady — her husband's in the hospital, she's just moved to an apartment in Victoria from her home in Ladysmith and she's blind. My heart went out to her. I went home, picked up my wife and we spent the rest of the day helping this lady unpack and get settled."

Mario Michel, Shaw Cable Installer, Victoria, B.C.

Laura and Mario Michel

Rick Olsen



"We have been very pleased with the service and product Shaw has brought to the market. The WAVE has allowed us to surf the Net with amazing speed."

Rick Olsen, WAVE Customer, Edmonton, Alberta

Shaw's cablesystems are clustered in attractive markets throughout Canada with approximately 72 percent of its subscribers located in the high-growth areas of Calgary, Edmonton, Greater Toronto, the interior of British Columbia and on Vancouver Island. The balance of the Company's subscribers are located in smaller clusters which are linked to each other or to larger clusters via fiber or microwave.

Shaw Cablesystems

Shaw's cable television business has one of the highest growth rates of the major Canadian cable operators and is the most profitable in Canada. Continued growth in basic and full cable subscriber services was enhanced during fiscal 1997 by the introduction of incentive-based programs for employees, an aggressive new marketing program and customer service initiatives. Basic subscribers increased by 3.3 percent or 48,522 households while Full Cable Service grew by 5.8 percent (74,445 households) as a result of these initiatives.

On October 17, Shaw, in conjunction with the Canadian cable television industry, launched a new 12-channel package. At $5.99 per month, with a two-month free preview period, the Company anticipates a high penetration rate for this optional entertainment package.

In addition to the new 12-channel package, Shaw added TreeHouse TV, Headline Sports and CTV News 1 to the basic subscriber cable line-up. Plans are underway to add more programming services as part of a new digital offering.

Technology

During fiscal 1997, Shaw continued to upgrade its networks to enable two-way cable transmission for new services such as Internet access, impulse pay-per-view and the future addition of Web-TV. Bi-directional service should be available to approximately two thirds of the Company's subscribers and all systems are expected to be at 550 MHz (77 analog channel) capacity by the end of fiscal 1998.

Shaw's cable television business has one of the highest growth rates of the major Canadian cable operators and is the most profitable in Canada.

NEW NETWORKS *(Tier III*)*

Family Channel	Teletoon	The Comedy Network
History Television	Food Network	Home & Garden Television
TBS Superstation	The Golf Channel	Outdoor Life Network
Prime	Speedvision	Space: The Imagination Station

* New channels introduced October 1997. Shaw customers in Toronto also receive Black Entertainment Television.

Shaw has continued to invest heavily in fiber optic technology that is used to divide each of its licensed areas into small neighbourhood areas of 2,000 homes. Signals can be narrowcast to each of these 2,000 home nodes, permitting re-use of system bandwidth or channel capacity as WAVE or video-on-demand traffic levels grow. This fiber infrastructure is vitally important to position Shaw for continued growth, both in terms of Internet penetrations and traffic levels, and also in terms of new services. For example, the same fiber cables are used by Shaw FiberLink to offer high-speed telecommunications services to business customers. The fiber also provides important improvements in

DVC INTEGRATION AND CHANNEL CAPACITY *(Assuming 77 Analog Channels)*

Services	Analog	Compression Ratio	Combined Digital & Analog Capacity
Basic and extended basic	55		55 analog channels
Pay services	2	8:1(1)	16 digital channels
Pay-per-view	5	8:1(1)	40 digital channels
Other pay services	2	6:1	12 digital channels
Data services(2)	2		Up to 30 Mbps per channel downstream
Digital audio	1		Up to 100 digital audio channels
Potential additional channels	10	7:1	70 digital channels
Total capacity	77		293 digital and analog channels(3)

(1) Assuming primarily film-based programming
(2) Including high-speed Internet access
(3) Excluding capacity for data services

SHAW CABLESYSTEMS *(Number of Subscribers by Region as of August 31, 1997)*

signal quality and reliability for basic cable customers. At the end of fiscal 1997, roughly 3,000 kilometres of fiber cable have been implemented, with more planned for the next several years.

Part of this roll-out of fiber technology includes the creation of hub sites in each licensed area, typically one hub site per 25,000 homes passed. These hub sites are used as remote multiplexing locations to permit more efficient use of the backbone fiber system. They are also configured in rings with route-redundant cables connected to each so that, in the event that the fiber system is cut or damaged, the opto-electronics automatically switch into "protection" mode, resulting in continued high-quality service to our customers.

During fiscal 1997, Shaw continued to deploy high-speed fiber-based digital video systems to interconnect its headends and cluster major video processing centres. This brought significant economies to the roll-out of the new services on October 17, as well as simplifying advertising insertion, program substitution and other video processing functions. These high-speed digital video interconnects will position Shaw well for continued expansion of the tier of digital channels which require complex digital compression and encryption technologies because the digital encryptors may be shared over a larger customer base.

Digital Cable

Shaw officially launched its digital cable service in Calgary on June 2, 1997 and by fiscal year end had over 12,000 Digital Cable Terminals (DCTs) deployed in the city. The digital conversion process in Greater Toronto began during the first week of September. Digital service includes Pay TV services, 15 channels of impulse pay-per-view, the Navigator – Shaw's interactive program guide, and 30 formats of Digital Music Express (DMX). Shaw expects to have over 70,000 DCTs in service by the end of fiscal 1998.

Focus testing of the new digital service has been very positive. Increased signal quality, additional programming choices, DMX music and the Navigator interactive program guide have all gained high consumer acceptance.

The digital cable project is now looking at additional interactive applications to operate on the DCT platform. Video-on-demand is one such application. Others include Web browsing, e-mail and channel hyperlinking, which is the ability to switch between a broadcast program and an Internet Web Site. Enhanced broadcast services which allow broadcasters to program more interactive content are also being developed.

Shaw expects all of its cable systems will be converted to digital by the end of 1999.

The completion of 24 hub sites represents an important milestone in the continued development of Shaw's network as sophisticated switching, multiplexing and fiber optic equipment is pushed deeper into the network toward the customer.

Video-On-Demand

Video-on-demand is an exciting new development in television programming using digital technology to provide an increased level of service and choice to customers. It is a natural extension to the interactive capabilities of the digital cable product being deployed by Shaw's cable systems.

With video-on-demand, customers become the programmers. Utilizing an interactive guide, customers can browse through an extensive library of programming including recently released feature films, children's films and television programs, documentaries, classic movies and educational features from Canada, the United States and around the world. Viewing time is at the choice of the customer.

In October of 1996, Shaw, in partnership with Alliance Communications Inc., Canada's leading film and television production and distribution company, applied to the CRTC for a national, French-language and English-language video-on-demand licence. The partnership was granted permission to proceed in July of 1997.

Implementation plans are being drawn up with a market trial to be undertaken in Calgary. Up to 500 program titles are expected to be available to the approximately 3,000 customers in the initial trial area. The partnership plans to offer video-on-demand services to other cable systems, and both wireline and wireless cable competitors in Canada.

WAVE™ Internet Access

In November of 1996, Shaw participated in the national launch of WAVE™, a cable-delivered high-speed Internet access service. WAVE provides customers with unlimited, high-speed access to the Internet for a flat monthly fee. Using state-of-the-art cable modems, in conjunction with Shaw's fiber optic and coaxial networks, WAVE allows users to access and download information from the Internet significantly faster than existing Internet services provided through standard telephone lines.

The market for high-speed residential Internet access is expected to grow rapidly in Canada as the penetration of personal computers increases and consumers realize the benefits and utility of accessing the Internet for entertainment, information and communication services. With its high-speed Internet service, the Company will be well positioned to serve this market.

During fiscal 1997, Shaw introduced WAVE in its Calgary, Edmonton and Toronto systems. At August 31, 1997, the Company had approximately 2,400 WAVE customers.

Future Directions

In April, Shaw announced that it had joined forces with the @Home Network to create WAVE@Home. Beginning in 1998, the WAVE service will be re-launched and co-branded as WAVE@Home. The service will deliver high-speed Internet services using @Home's distributed network architecture and cable's broadband local

infrastructure. Utilizing sophisticated caching and replication technologies to create a high-performance "parallel" Internet, @Home greatly reduces the need for users to traverse the global Internet for information. The end result is reduced Internet "traffic jams" and dramatically improved network speed and reliability. WAVE@Home subscribers will have access to a variety of multimedia content at speeds dramatically faster than would otherwise be available over the Internet. In addition, by combining the best elements of the existing @Home service with high-quality Canadian content, the WAVE@Home product will provide the customer with the highest quality Internet service available.

Since its founding in May of 1995, the @Home Network has reached distribution agreements with seven leading cable companies in North America serving over 50 million households.

Competitive Positioning

Recognizing the changing competitive landscape of the cable television market, Shaw introduced several programs and initiatives that will differentiate the Company from potential competitors. A top priority for the Company has been to set and maintain higher standards for meeting customers' needs and providing satisfaction. To this end, the Company revamped its training and orientation program to help develop and enhance the skills of front line employees. Now an intensive five-day program, Cable University places more emphasis on interpersonal skills development as well as providing a better understanding of the technical aspects of the business. Through coaching and mentoring, employees are better able to manage customer relationships and understand the importance of meeting and exceeding expectations. In conjunction with this new training program, the Company launched the Good Samaritan program which recognizes employees who have "gone that extra mile" for customers.

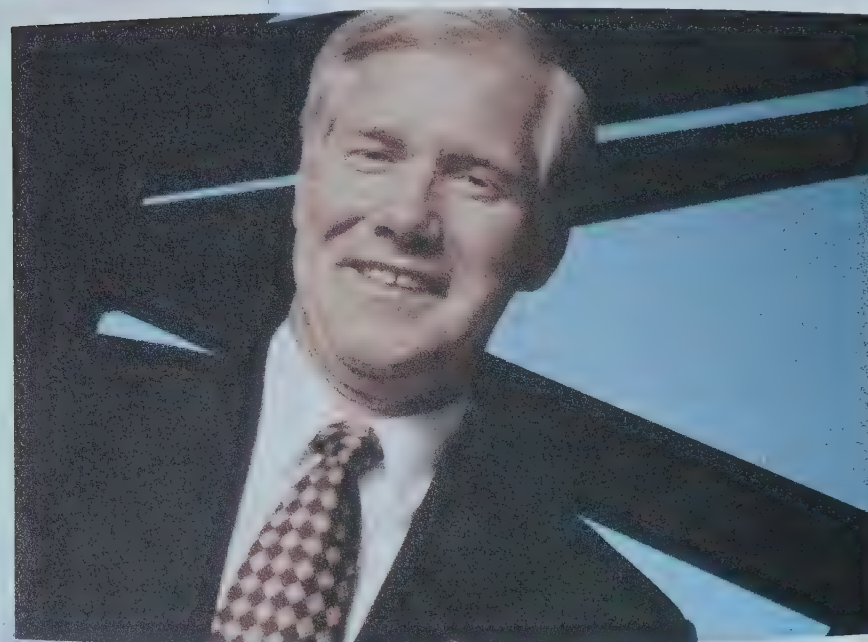
Shaw also introduced an incentive program that challenges, empowers and rewards employees for initiating new sales and reacquiring customers. This program has been very successful at reducing customer turnover and earning customer loyalty.

Shaw's second objective was to increase awareness of the Company and the many products and services it has to offer. In October of 1997, a high level national advertising campaign was launched that positioned Shaw as a technologically advanced, multimedia service provider. The campaign has raised Shaw's profile and feedback from customers has been extremely positive. We believe these efforts have strengthened Shaw's image as a diversified Canadian entertainment, media and communications company.

A top priority for the Company has been to set and maintain higher standards for meeting the customer's needs and providing satisfaction. Shaw's second objective was to increase awareness of the Company and the many products and services it has to offer.

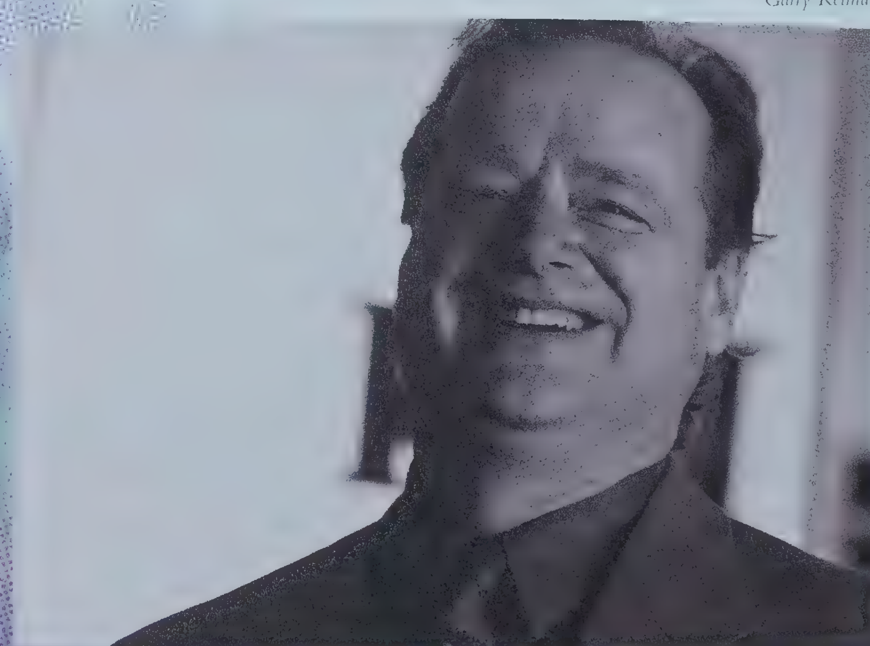
"In the last year, Grant MacEwan Community College switched to Shaw FiberLink to provide data communication support between its campuses. FiberLink provided us with a very cost-effective, highly-reliable solution, which meets our needs today and provides future growth with minimized cost."

Paul Byrne, President, Grant MacEwan Community College



Paul Byrne

Garry Kelman



"What our customers need is reliable high-speed data transmission. Shaw FiberLink has allowed us to give our clients an option in carriers, to ensure on-demand data delivery."

Garry Kelman, Executive Vice-President, Kelman Technologies Inc.

Shaw FiberLink, the business telecommunications division of Shaw Communications, was established in October 1995 to take advantage of opportunities in the multi-billion dollar telecommunications industry. Primarily, this is the provision of data, video, voice and Internet services to businesses on dedicated fiber optic links.

Shaw FiberLink

Shaw FiberLink is a telecommunications Competitive Access Provider (CAP), supplying businesses with fiber optic connections between their locations, within a metropolitan area. Applications include local area network (LAN) computer communications, video conferencing, Internet access, head office to remote office billing system links, moving large data files between sites and dedicated voice links.

FiberLink products are sold under the trademarked brand names "LightNET" and "Bandwidth on Demand". The LightNET product line includes all of FiberLink's Data, LAN, Internet and Voice dedicated services. LightNET – Bandwidth on Demand is FiberLink's Asynchronous Transfer Mode, or ATM product, and is geared for customers who have non-regular data traffic. Customers can select minimum sustained data rates and maximum burst rates to fit their unique requirements. The FiberLink high-capacity fiber optic backbone automatically bursts to the selected maximum when traffic patterns demand.

LightNET is also being used as a brand name by other major Canadian cable companies for their business telecommunications products.

Customers

During the past 12 months, FiberLink has tripled its customer base due primarily to the introduction of services in new markets across the country. At the same time, existing customers continued to add features, as the flexibility of FiberLink's fiber optic connections provides a scalable platform for increased service.

FiberLink's largest customers continue to be Canadian long distance carriers such as AT&T Canada, Sprint Canada, Fonorola, ACC and Westel. These companies maintain extensive long distance networks and use FiberLink to provide connections from their major installations in a particular city to specific customer locations. Telecommunications service providers such as Clearnet and Microcell also use FiberLink to connect remote electronics sites to their main facilities throughout the cities they serve.

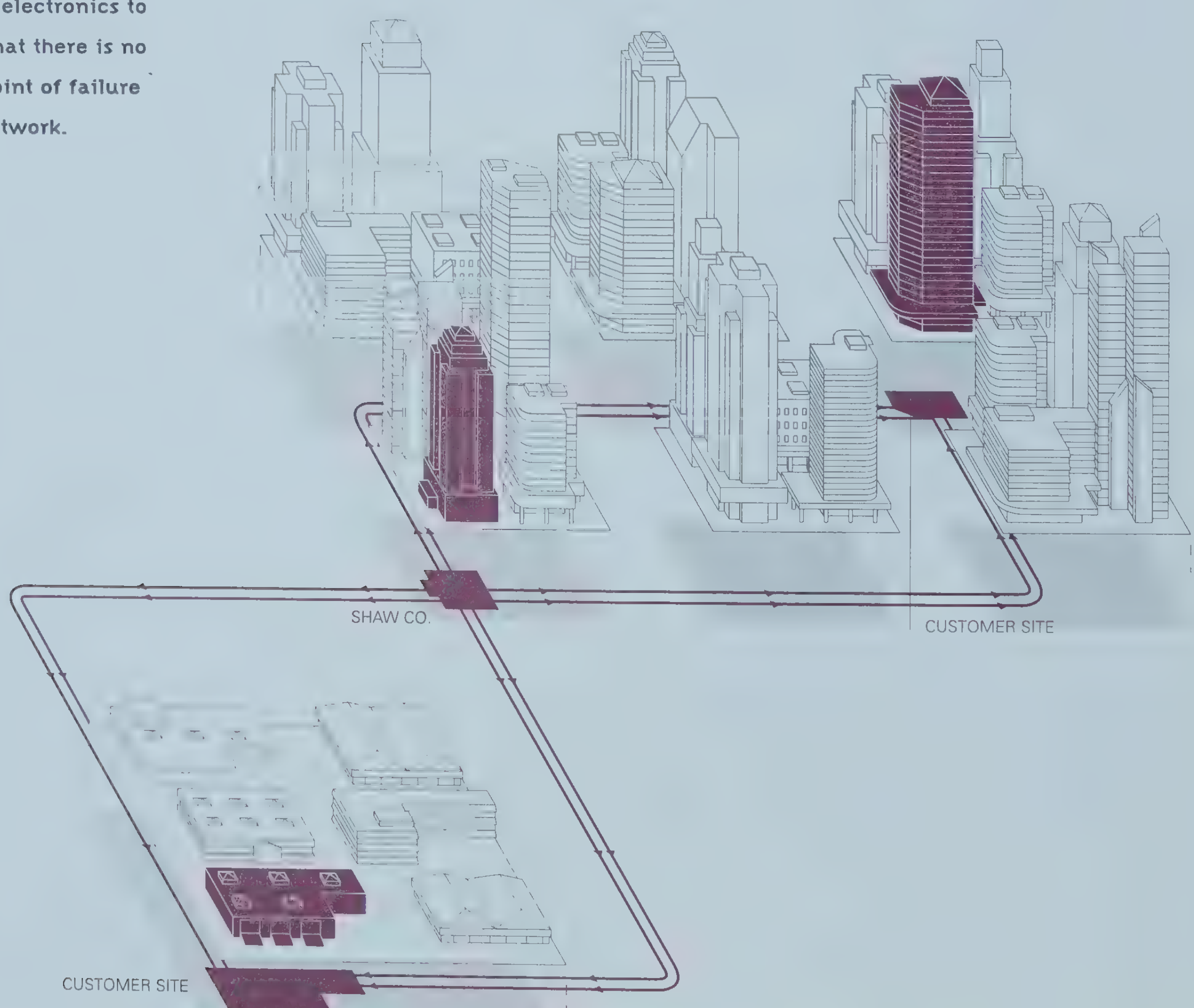
FiberLink's customer base has tripled over the past 12 months with the introduction of services in new markets across Canada. Revenue more than doubled during this time from $6.3 million in 1996 to $14.2 million in 1997.

Shaw's fiber optic network uses redundant optical paths and high-performance SONET and ATM electronics to ensure that there is no single point of failure in the network.

Fortune 500 companies as well as government and educational institutions are also impacting new FiberLink sales activity. For example, the Region of York, City of Scarborough, City of Windsor, Grant MacEwan Community College in Edmonton, Okanagan Universities and the University of Toronto are all benefiting from FiberLink's high-speed network connectivity.

FiberLink Architecture

Shaw FiberLink uses the most advanced fiber optic digital technology, with a network backbone based on Synchronous Optical Network (SONET) and Asynchronous Transfer Mode (ATM) electronics. This state-of-the-art technology is the industry standard for high-speed telecommunications transmission as it incorporates fully



redundant electronics with diverse fiber optic routing in order to maximize network performance and reliability. This ensures that no single electronic component or fiber optic link failure can cause a customer service problem.

To ensure optimum system performance, FiberLink has established two Network Management Centres in Calgary and Toronto. From these centres, every circuit and piece of equipment within the network is monitored continuously. In turn, these facilities provide complete back-up and support of the Company's national network.

Expanding Networks

In the spring of 1997, Shaw completed the installation of an extensive network throughout Calgary's downtown core. The Company's high capacity fiber optic cable now runs along every downtown avenue in secure underground ducts. Every cable contains over 200 individual strands of fiber, each with the capability of carrying over 100,000 simultaneous telephone calls. This translates into over five billion bits of information per second per strand. This high-density fiber grid enables Shaw to link its main telecommunications processing facility to every office tower and business on separate high-speed SONET rings. Similar networks operate in the Greater Toronto area and are operating, or under construction, in other cities served by FiberLink.

In addition to extensive local fiber optic networks, Shaw builds, owns and operates fiber optic facilities between its various service areas. In Ontario, the Company has expanded its continuous fiber optic coverage in the Greater Toronto area. All of the major population centres including Pickering, Scarborough, Markham, Richmond Hill, Vaughan, Bolton, Orangeville and Barrie are now linked. In addition, an extension of this northern route is currently under construction into Orillia while southern linkages from Markham to Stouffville, Keswick, Sutton and Pefferlaw are also in place.

In Alberta, the 300-kilometre fiber route linking Calgary and Edmonton was activated in the fall of 1996. This intercity fiber route follows a direct path between the two cities, passing through all the population centres between them. As customer demand has resulted in full usage of the original capacity, it is being upgraded to handle four times its current level of activity.

Intercity fiber links carrying telecommunications traffic for FiberLink's business customers were also activated in British Columbia this year. The B.C. interior connects Vernon to Penticton via Kelowna, while on Vancouver Island, Nanaimo and Duncan are connected with Victoria.

Internet Gateways

In 1997, the Company quadrupled the size of its business Internet customer base. Business Internet services focus on dedicated, high throughput access between businesses and the FiberLink Internet gateway. Powerful FiberLink construction carries the Company's comprehensive Internet services. These national Gateways are interconnected with circuits from Canadian long distance companies. This network is then directly interconnected, at different locations, to North American Internet Network Access Points.

FiberLink's Internet customers are served on high-speed fiber optic connections. Business users who require dedicated Internet links to enable their employees to access the Internet over corporate LANs, form the largest segment of FiberLink's customer base. Internet Service Providers (ISP) comprise the other major customer segment. These companies provide dial-up Internet service to residential and business users, and purchase their upstream Internet access over a FiberLink dedicated link.

vision.com

Canada's leading cable television companies have been successfully providing local telecommunications services to Canadian businesses for several years. Due to the local nature of the service, businesses operating in multiple Canadian cities often dealt with more than one local service provider. In 1997, the telecommunications divisions of these leading cable companies combined their efforts under a national organization called vision.com. Members of vision.com provide businesses with a single point of contact for sales, service, and consistency in products across the country. Businesses requiring local circuits across the country contact the vision.com member of their choice. This member company then becomes responsible for all local telecommunications requirements of the customer including the handling of all background work to ensure that the business customer is not needlessly involved in multi-city and multi-company issues. Under vision.com, business customers receive national consistency in products, pricing, performance and service.

In 1997, the CRTC announced several new telecommunications initiatives. Of great significance for FiberLink was Decision 97-8, introducing competitive local telephone services for Canadians. As a provider of local dedicated circuits to businesses and to Canadian long distance carriers, FiberLink is well positioned to grow significantly within this competitive market.

Shaw MobileComm

Shaw MobileComm is the paging and telephone message management division of Shaw Communications. It provides paging service over state-of-the-art 900 MHz networks and high-density provincial and city-wide paging channels on a national basis. As a result of its range of local, regional and national paging channels, MobileComm is the only major Canadian paging company able to provide a wide variety of paging models including real time voice, tone, numeric and alphanumeric. It was the first national paging company in Canada to introduce alphanumeric transcription service, a unique service allowing customers to leave a complete voice message.

Market Opportunity

The Canadian paging market has considerable potential for growth and MobileComm is well positioned to take advantage of this opportunity. The current Canadian paging market penetration is five percent. This compares to 18 percent in the United States and over 30 percent in some Asian markets. The U.S. market has benefited over the past few years from growth in the consumer sector. This consumer and retail sector is currently developing in Canada and the Company expects to take advantage of this growth by leveraging paging with other Shaw consumer products such as radio, television broadcasting, cable television and residential Internet.

In 1997, MobileComm successfully launched a co-branded pager with CFNY-FM in Toronto. This new pager product, named "The Edge" after the radio station, is targeted at the 18 to 24 year age group which is CFNY's strongest listening audience. MobileComm is currently working with other Shaw units such as CKRY-FM, YTV and CMT, as well as other cable television companies and retail distributors to develop similar co-branded paging products.

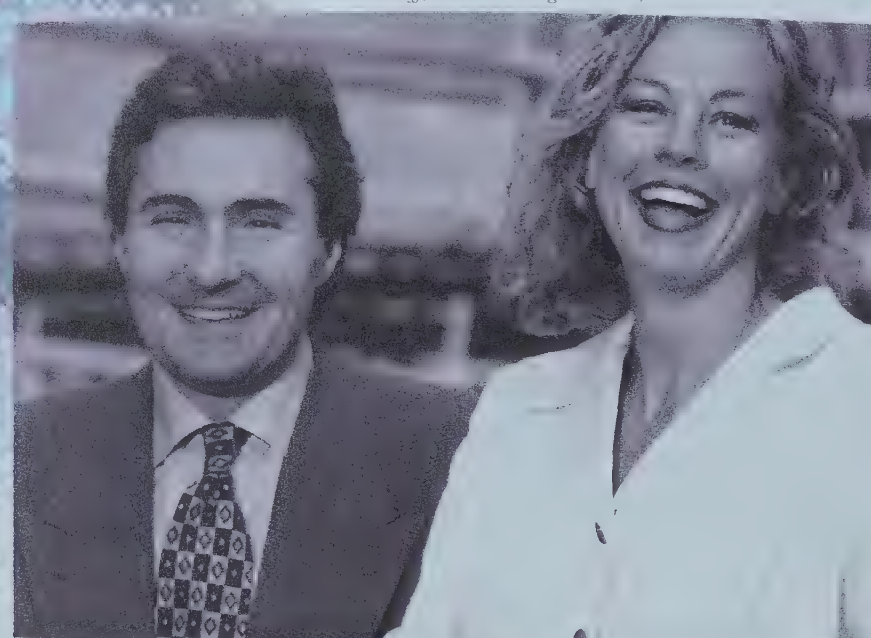
Shaw MobileComm is the third largest paging company in Canada with over 117,000 subscribers and operates national call centres serving customers across the country. Revenues in 1997 were $28.8 million.

"CMT co-sponsored my first headline tour in Canada and has helped build my fan base by featuring me in specials which kicked off my Canadian tour. I know this was a major factor in my receiving three awards including the Fan's Choice Award at the Canadian Country Music Awards."

Terri Clark, Country Music Star

Terri Clark

Chris Pandoff, General Manager CFOX, Vancouver and Debra Macko



"We would like to express our gratitude for all the support you've given to the Pacific National Exhibition for the 1997 year. The dynamic "Fox Machine" has turned some of our promotions into major events which have resulted in more visitors."

Debra Macko, Marketing Manager, Pacific National Exhibition, Vancouver, B.C.

With the recent addition of YTV, CMT, TreeHouse and a number of minority positions in new programming services to our long-standing interests in radio, the Company has seized the opportunity to leverage these assets with major national advertisers by combining these operations in the newly-created Media division in 1997. This new division will also benefit from the additional focus on the regulatory front as they both operate under similar regulatory regimes.

Programming

Shaw's two largest programming investments, YTV (the youth network) and Country Music Television (CMT) of which it controls 100 percent and 80 percent, respectively, both have broad demographic appeal. This has resulted in growing advertising revenues and a significant amount of cash flow after capital expenditures. YTV's success in providing quality children's entertainment is evidenced by it having the broadcast rights to 18 of the top 20 children's shows in Canada. Of these 18 shows, five are Canadian co-productions commissioned by YTV.

YTV Canada

YTV continues to rank as Canada's number one specialty network reaching over 10 million viewers each week. Offering a unique brand of exciting and innovative entertainment, YTV appeals to children of all ages and their families.

Since its debut in 1988, YTV has delivered a mix of original programming, proven performers and outstanding Canadian talent. Over the years, the network has touched young people through award-winning programs such as the annual *YTV Achievement Awards,* a live telecast honouring the special accomplishments of young Canadians; *Rights On,* a program about the United Nations Conference on children's rights; *YTV News* which provides weekly news from a youth perspective; and the *Anti-Gravity Room,* a show that focuses on the world of comic book culture.

YTV boasts over 60 percent Canadian content in its program schedule. During the past nine years, it has been one of the busiest co-producers of children's and family-oriented programming in the world, working closely with a wide range of production companies from across the country. This has resulted in an investment of over $350 million in Canadian programs and has earned YTV more than 70 programming, on-air promotion and marketing awards over the years, including 11 this past season.

Shaw views programming as a strategic asset that contributes positively to the growth and diversification of the Company. Through its expanded programming presence, Shaw provides customers with a broader choice of quality entertainment.

YTV Audience Composition by Age*

* Nielsen Marketing Research, Spring 1997

In March of 1997, YTV launched its website with phenomenal results. The site averages three million hits per week and the numbers are continually growing. The site has already received several awards including the Web Canada Maple Award for outstanding design and content.

While viewers two to 17 years represent the largest portion of YTV's audience, adults 35 years and over account for a significant percentage of its viewers. In addition, as a founding member of the Canadian Cable-in-the-Classroom project, YTV provides copyright-cleared programs for educational use in schools to help foster media literacy among students. The network also regularly distributes highly-acclaimed lesson plans, free of charge, to thousands of Canadian schools along with a newsletter highlighting relevant YTV programming.

Future Directions

Recognized around the world for its powerful branding and excellence in on-air presentation, YTV's focus in 1998 will be to strengthen its core business in an increasingly competitive marketplace with initiatives that create new streams of revenue. Key projects that will help YTV meet this goal and maintain its leadership position include enhancing the program schedule and on-air look, and increasing marketing and promotion efforts through events that will reach viewers beyond television. Core revenues will be strengthened through strategic partnerships and new revenues will be derived through a licensed merchandise initiative as well as program sales and distribution.

Another exciting opportunity was the launch of TreeHouse TV in October of 1997. TreeHouse TV, a network wholly owned by YTV, is the first and only network dedicated to children under the age of six. It features the best in Canadian and international programs, and has been designed to engage pre-schoolers in mental and physical activities that are sure to stimulate as well as delight.

While positioning itself for long-term positive growth, YTV will continue to deliver the quality programs that have made it the acknowledged leader in children's television.

Strategic Investments

Shaw's success in programming and the experience gained over the years have been invaluable this past year as the Company prepared for the October launch of 12 new channels. In addition to its stake in TreeHouse TV, Shaw has an interest in four other new networks – Teletoon (20 percent), The Comedy Network (14.95 percent), Headline Sports (47.8 percent) and Telelatino (20 percent).

Teletoon is a national animation channel presenting programs in English and French. It offers a colourful combination of animated entertainment, from action-adventure stories to animal tales and comic strip characters, which appeals to audiences of all ages – pre-schoolers, teenagers and adults.

The Comedy Network spotlights the world's funniest comedians as they deliver one-of-a-kind specials, stand-up, sketch and classic comedy performances. It also showcases the careers of great Canadian performers past, present and future.

Headline Sports offers up-to-the-minute news on world sports with statistics, highlights and a behind-the-scenes look at the best in both amateur and professional sports.

Telelatino is a general interest programming service designed for Canadian-Italian and Spanish audiences.

Country Music Television

Country Music Television (CMT) is Canada's only 24-hour country music and entertainment network that combines music videos with entertaining artist programs, concerts and features. CMT's unique brand of country blends the best of Hot New Country with Folk, Celtic and Roots music.

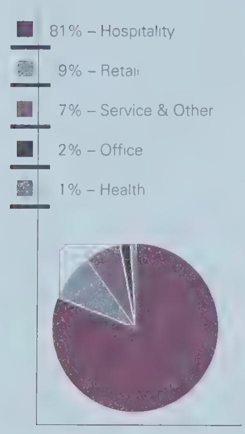
The strong CMT brand has long been recognized as the industry leader in Country music throughout the United States, Europe, Asia and more recently in Canada. CMT Canada is currently seen in more than six million Canadian households and consistently ranks well with audiences coast to coast.

On July 1, 1997, CMT became the first licensed Canadian specialty television service ever to be headquartered in Calgary, considered one of the fastest growing markets for country music in Canada. Alberta's dynamic business environment and Calgary's leadership as a country music market made this a logical choice. CMT's new state-of-the-art facilities, located in Shaw's corporate headquarters, provide a natural fit with the Company's market-leading Alberta country radio stations. The CMT sales and marketing team continues to be based in Toronto where they can focus most effectively on the needs of national advertisers.

Music videos are recognized as an integral part of the music industry and their popularity will continue to grow as more and more artists become actively involved in producing music specifically for video. Since it was launched in 1995, CMT has contributed close to $2 million annually in support of artists and their video productions. This funding, along with the national exposure provided by CMT, has been instrumental to the careers of many Canadian artists.

Although CMT is less than three years old, it has already established a reputation as one of the most successful specialty networks in Canada. With the development of new programming and a focus on exciting world-class specials and concerts, the growth potential for CMT is just beginning to be tapped.

DMX Current Customers by Market Sector



Future Directions

CMT's 1997-98 season promises to be very exciting with the introduction of a brand new schedule. In addition to CMT's outstanding line-up of music videos and short features, the network has developed a number of destination programs that focus on the artists, their music and their lives. Performance specials, awards shows and a variety of regional and interactive "Countdown" programs will continue to be highlights for CMT.

With the development of new programming and a focus on exciting world class specials and concerts, the growth potential for Country Music Television is just beginning to be tapped.

Digital Music Express

Digital Music Express (DMX) is a satellite-delivered music service for commercial and residential customers. Available 24 hours a day, seven days a week, DMX delivers interruption-free, CD quality sound in a variety of programming formats. DMX is provided by DMX Canada and is 80 percent owned by Shaw.

DMX for business, which is not subject to CRTC regulation, has been distributed in Canada since November of 1994. With a library of nearly one million song titles, delivered over 90 channels, commercial customers can choose from a wide selection of premium music in a variety of languages. During fiscal 1997, DMX for business experienced growth of 55 percent over the previous year. It also achieved a commercial customer base of 3,810, the majority being local accounts with multi-year agreements. The DMX "on-hold" service, introduced in 1996, is a value-added service for businesses that has proven to be quite successful. It allows businesses to record a special message over a music background in order to promote new products or to inform customers about corporate developments.

Following an extensive review by the CRTC in August of 1996, which reaffirmed Shaw's residential DMX licence, the Company proceeded with plans to provide 30 channels of digital music to residential subscribers. The 30-channel residential service was launched on satellite in the spring of 1997 and currently includes 15 Canadian programmed formats. At year end, the residential customer base was 12,000 and growing rapidly.

Sales strategy for the residential business has changed from a premium-priced discretionary model to a lower-priced, higher-penetration package delivered through DCTs as part of a digital basic package. Shaw Cable includes DMX as part of its digital offering and charges for the service are included in the monthly rental of the terminal. This offering has been enthusiastically received in Calgary where the digital system roll-out commenced in the summer of 1997.

Future Directions

During fiscal 1998, DMX for business will continue to maximize sales from the Company's owned and operated network, particularly in the retail, service and healthcare sectors, and to further expand the sales agent network. The residential service will continue to grow as Star Choice extends its delivery of broadcasting services and cable operators invest in digital technology.

Shaw Advertising Services

Shaw Advertising Services (formerly known as Shaw Televisual Networks) provides businesses with wide-coverage, high-frequency advertising at cost-effective rates. The division currently offers many different advertising formats to customers in over 100 communities. It is an important advertising vehicle for local merchants and national advertisers.

Advertising services feature channels which carry text-only, local information interspersed with advertising or channels dedicated to specific markets such as home shopping or real estate listings. The division has achieved consistent growth in revenue and operating income since its inception in 1988 and generates operating margins in excess of 40 percent.

Shaw views advertising as an important supplement to its core businesses and plans to continue expanding the scope of these services while enhancing the quality and value relative to competitive options.

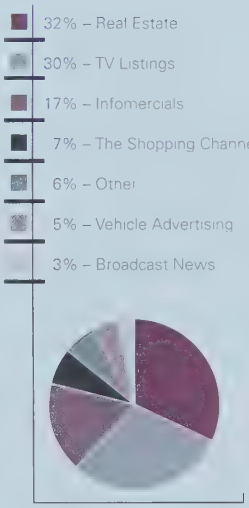
Future Directions

Further to the CRTC Decision in April of 1996 which allows non-cable entities (third parties) open, equal and non-discriminatory access to cable facilities for the provision of exempt programming services, third-party access agreements are being negotiated. Shaw expects to complete these agreements some time in the fall of 1997 and will offer third-party products in many of its systems by the winter of 1997.

Shaw is also launching its enhanced TV Listings service between January and April of 1998. This service will provide customers with greater reliability and flexibility as well as greater promotional and advertising opportunities. Video windows, which are part of the new format, will be available on all major cable systems for promotion of Shaw's services. The format will also increase ad capacity fivefold.

These new initiatives will substantially increase Shaw Advertising Services' inventory of advertising space and the opportunity to generate additional revenue.

Shaw Advertising Services 1997 Revenue Sources Total $12.2 million



Shaw's portfolio of radio properties currently includes 11 stations in high growth urban centres in the provinces of British Columbia, Alberta and Ontario. Six of these stations were rated number one in market share in their prime demographic during the fall, spring and summer of 1996-97 and listenership remains strong in all other markets.

At 35.6 percent, Shaw's radio stations achieve one of the highest operating margins in Canada. Since radio is less capital intensive than cable, a significant portion of this division's cash flow is used to fund other business activities.

Radio

Shaw has substantially improved the operating results of its radio stations over the past decade through strong programming, research, sales and marketing. The Company has also implemented cost controls, avoided duplication of formats and made better use of its advertising inventory by promoting other Shaw related products and services.

Advertising revenues were particularly solid in all markets during fiscal 1997, reflecting radio's return to positive growth in Canada's stronger economy.

British Columbia

CFOX-FM continues to be one of Vancouver's most popular young adult FM stations and plays a leading role in contemporary rock music. In May of 1997, the station received the British Columbia Broadcasters' Association Award for Creative Excellence and Community Involvement as a result of its fundraising activities on behalf of the B.C. Children's Hospital. CKLG-AM's successful transition to contemporary adult music has positioned the station as a music alternative for AM listeners. Combined with the station's "heritage in music", CKLG provides programming diversity and variety in music entertainment for adult listeners.

Alberta

Shaw solidified its position in the Alberta radio market during 1997 with the acquisition of Calgary's number one radio station, CKRY-FM, Country 105. The station is not only a leader in Calgary, but continues to receive national recognition, being named Country Radio Station of the Year for 1997 by the Canadian Country Music Association (CCMA) and at the Canadian Music Industry awards. In addition, the CCMA recognized CKRY's morning team as Canada's On-Air Personalities of the Year and the station's music director as the best in the country.

CISN-FM, Country 104, is currently the number one FM station in the Edmonton area, a major achievement in a market considered to be the most competitive in Canada. Known for its "Hot New Country" sound as well as its fresh, current and up-beat approach, the

station is well positioned in the Edmonton marketplace. CHQT-AM prides itself on being "Alberta's major news station" and continues to capitalize on its popularity as a smooth listening station for adults. During the past year, the CHQT facilities were completely renovated and a new "on-air" control room was installed.

CIZZ-FM in Red Deer has been a national and local award-winning radio station from the day it signed on in 1987. It has received dozens of radio industry awards including three as "Canada's Radio Station of the Year". Recent additions include a new FM transmitter tower and state-of-the-art mobile studio. CIZZ-FM and CKGY-AM were voted "Business of the Year" by the Red Deer and District Chamber of Commerce for their business leadership and contributions to the community. CKGY is central Alberta's "Heritage" country music station and a market leader in community news and information. CKGY is proud to have one of the most comprehensive agribusiness departments in Canada headed up by the first and only broadcaster to be inducted into the Alberta Agriculture Hall of Fame.

Ontario

CFNY-FM, "The Edge", became English Canada's most listened to rock music station in the fall of 1996 with a weekly audience of over 826,000 listeners, a 10 percent increase over the previous year. Market share was gained in both audience and percentage of total radio revenues in Toronto. The station continues to be successful in reaching the 18 to 34 year old market with its rock programming.

CING-FM in Burlington was acquired by Shaw in June of 1997. Programming is being revamped to target female listeners between the ages of 18 and 34 years with a preference for pop music. Potential listenership should increase as a result of the new format and the construction of a new transmission tower which will enhance the present signal.

CHAY-FM has long been the most listened to radio station throughout central Ontario. For the first time, CHAY became number one in the highly competitive Barrie central market this year with a 14.5 audience share. Moving to a more modern contemporary sound has also broadened the station's appeal to young professional adults. CHAY's news coverage continues to achieve significant recognition with awards from both the Radio Television News Directors Association and Crime Stoppers International.

CKDK-FM Woodstock remains the top station in Oxford County. Its stronger results in fiscal 1997 reflect southwestern Ontario's economic recovery from one of the worst downturns in many years. During 1997, CKDK

expanded its Internet equipment to include audio transfer which enables the station to record audio from the Internet. The station also uses the Internet to source news stories, programming information and for listener participation contests. CKDK continued to be recognized for its public service and charitable efforts during 1997.

Digital

Digital radio is viewed by radio broadcasters around the world as an inevitable technology transition – one that will enable them to enrich the services currently provided to listeners. Conversion to digital will benefit listeners and broadcasters alike and improve radio's ability to compete with other digital electronic media.

Canada is a world pioneer in digital radio and Canadian broadcasters will have access to digital equipment by early 1998 when the first consumer market receivers should become available. Digital radio has the ability to provide CD quality sound in music, data casting for the transmission of information including traffic messaging and paging, as well as a variety of specialty services for commuters. Digital radio's reliability can be attributed to its "smart" receiver, a computer chip able to differentiate between essential signals and useless noise.

Shaw Radio is a founding member of Digital Radio Research Inc. (DRRI), a tripartite body comprising the Government of Canada (Heritage Canada and Science and Technology), the Canadian Broadcasting Corporation and private members of the Canadian Association of Broadcasters. Shaw's investment in DRRI has provided the Company with access to the latest digital radio technology from around the world. Delivery of digital radio will be through the Eureka 147 transmission, the internationally accepted technology. Shaw's stations in Toronto and Vancouver expect to broadcast their current signals in both analog and digital upon completion of new multi-station transmitter sites in 1998.

Mobile Satellite Studios

In 1989, Shaw Radio pioneered the use of mobile satellite studios with its "CISN Caravan" in Edmonton, followed in 1992 by "Satellite '73" at CKLG-AM in Vancouver and CFNY-FM's "Edgelink 102" in 1996. The equipment consists of a self-contained mobile radio station with satellite uplink that provides greater flexibility for live broadcasting and offers a more consistent signal quality than is available through landline connections.

Shaw's mobile studios have proven to be extremely successful and are in constant use throughout their respective communities. They allow Shaw Radio to reach out into the community and establish an effective presence by covering concerts, festivals and other community activities for extended periods. In the coming year, Shaw will launch "Satellite 105" in the Calgary market.

Project Discovery

Project Discovery was created by Shaw in 1988 as a vehicle to develop and promote Canadian musical talent through national exposure. Largely due to the comprehensive use and promotional capabilities of radio combined with the production and distribution of cable television, this ongoing project has produced over 800 videos involving more than 900 talented performers.

Talent searches are conducted by Shaw radio stations using on-air promotion, solicitation and auditioning of tapes, and visits to venues where groups are performing. Finalists are chosen by Shaw and professionally produced Betacam and DAT videos are provided to performers as promotional tools.

Ratings

Radio stations compete on the basis of the overall number of listeners who tune in within their specific target group or prime demographic. Ratings are generally compiled in the spring and fall of each year by the Bureau of Broadcast Measurement (BBM). During this past year, eight of Shaw's stations were rated either number one or two within their prime demographic.

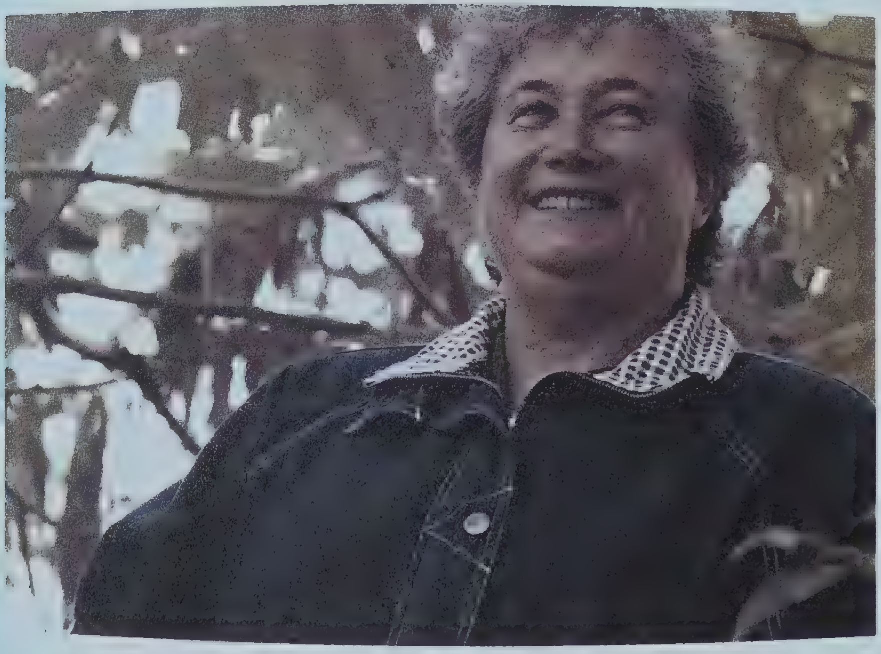
Location	Call Letter/ Frequency	Music Format	Market Size ($ millions)	Prime Demographic Market Share (%)	Prime Demographic Rank
British Columbia					
Vancouver	CFOX-FM 99.3	Rock	74	19.1	1
Vancouver	CKLG-AM 730	Adult Contemporary	74	1.8	10
Alberta					
Calgary	CKRY-FM 105	Country	36	20.7	1
Edmonton	CISN-FM 104	Country	32	17.8	1
Edmonton	CHQT-AM 880	Easy Listening	32	9.1	4
Red Deer	CKGY-AM 1170	Country	4	21.8	2
Red Deer	CIZZ-FM 99	Rock	4	37.9	1
Ontario					
Barrie	CHAY-FM 93.1	Adult Contemporary	6	14.5	1
Burlington	CING-FM 107.9	Dance/Hits	17	10.8	2
Toronto	CFNY-FM 102.1	Rock	127	10.8	3
Woodstock	CKDK-FM 103.9	Adult Contemporary	1	15.9	1

"Star Choice is fantastic. I didn't think the difference would be this good. We have small children and we really like the parental channel block option. Also, my husband is a huge Seattle Seahawks fan and loves that the games are now available both in the West and the East."

Hatty Foster, Star Choice Customer, Tatla Lake, B.C.

Victor and Hatty Foster

Suzanne Lauzier Regenstreif



"With Star Choice, watching television is a real pleasure. The quality of the image is exceptional and we have the opportunity to choose from a large variety of channels."

Suzanne Lauzier Regenstreif, Star Choice Customer, Pointe-Fortune, Quebec

Shaw believes DTH satellite technology is the only means of extending the delivery of broadcasting services to Canadians in unserved and under-served cable areas, and is a legitimate "Made-in-Canada" solution to the growing use of unauthorized DTH services in this country.

Star Choice Television

In 1995, Shaw applied to the CRTC on behalf of a broadly-based cable industry consortium, for a direct-to-home (DTH) satellite distribution undertaking licence. That licence was denied by the Commission on the grounds that the consortium had not secured the transponder capacity necessary to offer certain U.S. signals, which formed part of the programming package.

In June of 1996, Shaw alone re-applied for a DTH license presenting a strong business plan that addressed the problem of transponder capacity. The CRTC awarded Shaw a licence for its HomeStar DTH service in January of this year. Two months later the Company announced that it would merge its DTH satellite television operations with those of Star Choice Communications Inc. to offer a significantly enhanced service and to ensure consumer, dealer and investor confidence in the Canadian DTH industry.

This alliance creates a powerful Canadian DTH competitor with the ability to implement service quickly and effectively, and the strength to lead the market over the long term. Shaw's solid financial resources and experience in delivering programming services to Canadians, in combination with Star Choice's operational, distribution and marketing capabilities, ensures the most comprehensive, highest quality and affordable DTH service for Canadians.

Competitive Advantage

Star Choice is currently one of two licensed DTH satellite operators distributing digital subscription video and audio programming services throughout Canada. The Company also provides uplink services to Canadian specialty and pay television programmers. Star Choice has applied to the CRTC for a licence to deliver, via satellite to cable operators and other distributors, a broad array of authorized Canadian and U.S. television signals.

Star Choice's objective is to become the leading provider of satellite-delivered services throughout Canada and to ensure that Canadians living in every region of the country have access to the widest possible choice of viewing options.

Star Choice's objectives are to become the leading provider of satellite-delivered services throughout Canada and to ensure that Canadians living in every region of the country have access to the widest possible choice of viewing options, delivered in both official languages. Programming packages have been designed to maximize consumer interest, appeal, choice and control – at competitive prices. Distinctly Canadian offerings will provide a full range of English and French language packages, as well as a wide array of discretionary, pay-per-view and specialty services including sports, movies and other events.

Since the alliance was first announced, Star Choice has put in place a Canada-wide distribution network of 4,000 dealers including Radio Shack, Canadian Tire and Sears, secured a strong programming line-up, launched an aggressive marketing campaign, and opened a national call centre. Star Choice began providing its digital DTH services on a limited basis in May of 1997. The national roll-out of DTH services commenced in October with the launch of Star Tour '97, an innovative promotion program, which travelled across Canada introducing Star Choice's programming and hardware package to key stakeholders. By the end of October, Star Choice had approximately 23,000 subscribers.

The Company will retain its existing arrangements with dealers and distributors and intends to maintain an aggressive roll-out schedule. An exciting line of affordable, high-quality hardware will allow consumers to purchase a Star Choice package that meets their specific needs.

"Grey Market" Satellite Services

The delay in the launch of Canadian DTH services has resulted in the development of the so-called "grey market" in Canada, consisting of an estimated 300,000 satellite receiving dishes that have been sold in Canada to receive programming not authorized for reception in this country. The Federal Court of Canada has ruled that retailers who import and sell "grey market" equipment are in violation of the *Radiocommunications Act*. This ruling, which was recently unanimously upheld by the Federal Court of Appeal, has alerted consumers to the illegal nature of these equipment sales. Star Choice has been offering "grey market" equipment owners a discount off the regular retail price of their equipment in order to assist those consumers who wish to switch to a Canadian DTH service.

Leading Edge Technology

Star Choice offers the highest quality and most comprehensive hardware and programming package available in Canada. It has access to 15 RF channels on Canada's Anik E-2 satellite, enabling the Company to offer viewers a DTH satellite television service with over 100 video and audio channels. Star Choice has adopted Next Level's (formerly a division of General Instrument) DigiCipher II digital compression technology using single feed technology to beam its programming to subscribers' 24-inch satellite-receiver dishes.

Next Level is a world leader in developing technology, systems and product solutions for the interactive delivery of video, voice and data. Its DTH receivers deliver laser-disc quality video and CD-quality audio with an extensive selection of user features, including an interactive programming guide.

Future Directions

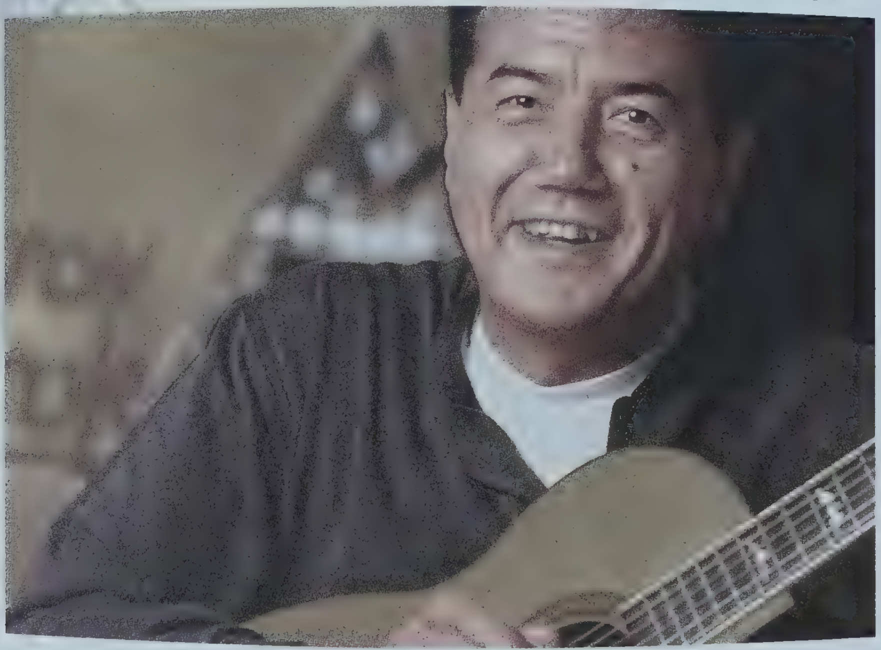
Growth prospects for Star Choice are very promising over the next decade. There are currently more than 11 million television households in Canada. Approximately half of these households are unserved or underserved by cable or have access to cable but do not subscribe. These are Star Choice's primary target markets. In those markets served by cable, Star Choice believes that its extensive programming options will be a significant advantage in attracting subscribers who are dissatisfied with the quality, price or packaging of their cable programming service or who want access to Star Choice's French language programming packages or other niche services not offered by local cable operators and other distributors.

"The daily news conferences that we were able to present from City Hall courtesy of Shaw Cable enabled us to keep the people of Winnipeg aware of events as they were happening. We had nothing but positive responses to this coverage."

Susan A. Thompson, Mayor, City of Winnipeg

Kevin Sadowy, John Kamchen, Ken Kantimere and Dick Reeves, four members of the Cable 11 team in Winnipeg

Tom Jackson



"We were honoured to have Country 105's support and commitment to The Huron Carole project in Calgary. We had a multitude of comments and compliments on the volume of promos your station ran in advance of the concert."

Tom Jackson, Honorary Chairman, Christmas & Winter Relief Association

Shaw encourages participation, both individually and corporately, in community and charitable activities in areas where the Company has operations. Be it community programming or radio promotions and sponsorships, Shaw and its employees believe in making a difference.

Community Programming

Shaw continues to demonstrate its commitment to the well being of the community through its involvement in quality programming and youth education. Over the last 26 years, community programming has evolved from a simple community message board into a vital cable television service. Community programming is an integral part of Canadian broadcasting and provides Canadians, especially those in smaller communities, with a valuable source of local information and expression.

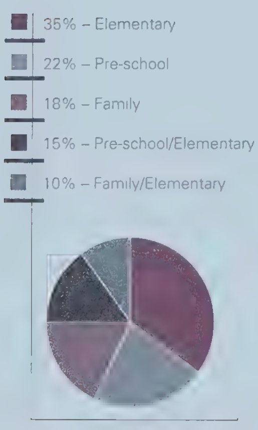
The importance of community programming was very evident this past spring when Shaw Cable 11 became the eyes and ears of the people of Winnipeg as they battled the floodwaters of the Red River. The programming department of Shaw Cable Winnipeg, which normally operates between the hours of 5:00 p.m. and midnight, pre-empted all other programming to provide 24-hour flood broadcasts when it became apparent that a severe crisis was imminent. The Channel 11 team, comprised of both staff and volunteers, put their personal lives on hold for several weeks during the disaster to ensure the people of Manitoba, and eventually the entire country, had comprehensive and timely coverage. They provided information on the logistics of the flood, evacuation routes and routines but more important, they became the round-the-clock channel that people depended upon for public service announcements from the City of Winnipeg Emergency Operations Centre.

The effort didn't stop there. Shaw employees and volunteers helped people pack and evacuate their homes, pitched in when sandbagging was needed, distributed teddy bears to distraught children and provided temporary cable hook-ups for residents forced from their homes. Once the flood waters resided and evacuees were allowed to return home, Shaw customer service representatives and cable technicians worked non-stop to re-connect customers, bringing some sense of normalcy back to people's lives.

Throughout the year, Shaw received numerous letters and phone calls thanking and commending our employees for their work and volunteer efforts. For them, going "Above and Beyond" is more than a concept — it's real life.

Shaw is extremely proud of those employees and volunteers who gave their time, effort and hearts to the people of Manitoba during the floods. They demonstrated firsthand what going "Above and Beyond" is all about.

SCPI Investment by Audience Type at August 31, 1997



Cable-in-the-Classroom

Cable-in-the-Classroom is an innovative approach to educating students and parents about the enriched learning opportunities available on multimedia formats. Launched in 1995, this national initiative is operated as a non-profit corporation and represents a public service effort funded by a majority of Canadian cable operators and program providers. Shaw, as a member of Cable-in-the-Classroom, is committed to the distribution of educationally relevant, copyright-cleared commercial-free, English and French language cable television programming services to publicly-funded elementary and secondary schools. By December of 1997, at least one cable outlet will be installed in each publicly-funded school in Shaw's areas of operation. The Company will provide cable service at no charge on an ongoing basis.

Shaw Children's Programming Initiative

The Shaw Children's Programming Initiative (SCPI) was established by the Company in 1994 as a means of contributing to the production of quality Canadian children's television programming. Since that time, SCPI has committed over $9.2 million for the development and production of 105 projects, many of which have gained national and international recognition.

In January of 1998, SCPI, in partnership with educators across Canada, will launch TV & Me, a compelling, interactive program written by educators for educators, and designed for use in schools and communities. Targeted primarily for children between the ages of nine and twelve, the program consists of core lessons that wrap around pro-social commercial vignettes produced by Concerned Children's Advertisers, a non-profit consortium of 21 companies. Within each vignette, there is a life skills and media literacy core lesson that encourages open and informative discussion about subjects ranging from self-esteem and goals to peer pressure and risks.

Shaw believes that television should be an enriching, positive part of childhood. This partnership will help to ensure that each child has the opportunity to learn, grow and succeed in making their dreams a reality.

Total revenue in 1997 grew to $688.4 million from $610.6 million in 1996. The main reasons for the increase were the newly-established media division (consisting of YTV and CMT), the acquisition of radio station CKRY-FM ("Country 105") in Calgary and expansion of the Company's telecommunications operations.

Overview of Results

Operating income before amortization was $293.2 million (42.6 percent of revenue) compared to $271.6 million (44.5 percent) in 1996. The percentage decline occurred mainly due to the change in mix of operations with the inclusion of the new specialty networks. Consistent with other broadcasting activities, specialty networks' operating margins are much lower than cable television. In addition, the paging division margin declined in 1997 because of downward competitive pressure on per subscriber revenue levels. The Company also experienced significant revenue growth in telecommunications, a start-up business that presently has margins lower than cable.

The increase in amortization and interest expense reflects the growth in capital expenditures and acquisitions and other investing activities completed during 1997. Total capital expenditures in 1997 were $227 million, with cable television and telecommunications accounting for approximately $200 million of this amount. Business and investment acquisitions amounted to $143.8 million, including the settlement of approximately $22 million payable in respect of 1996 acquisitions.

As a result of the decision to withdraw the paging division from the market (described in note 2 to the consolidated financial statements), the Company has reversed the 1996 provision for an estimated loss on disposal in 1997 and reclassified 1996 results to include the paging division in continuing operations. In 1997, an impairment write-down of $23.1 million (pre-tax) was recorded against the paging division assets. There was no impact on 1997 net income, earnings per share and cash flow per share as a result of the foregoing.

Net income in 1997 was $16,592,000 ($0.24 per share) compared to $63,753,000 ($0.91 per share). Net income per share before gains on sale of cable systems and accounting for paging assets previously described amounted to $0.24 per share versus $0.18 per share in 1996. Net income for 1996 included $67 million ($0.96 per share) after-tax gains on sales of cable systems. Cash flow per share improved to $2.17 from $1.77 in 1996 primarily as a result of the growth in operating income.

Overview of Financial Position

Total assets grew by $262 million to $2.45 billion principally as a result of business and investment acquisitions and capital expenditures, the latter resulting in a net increase of $129 million in property, plant and equipment after the current year's amortization. The main sources of financing for the growth in assets were cash flow from operations of $151.7 million and long-term debt of $208.6 million (net of repayments).

Property, Plant and Equipment/Capital Expenditures

As previously noted, approximately $200 million of the additions to property, plant and equipment were undertaken to enhance the cable television/telecommunications distribution system, primarily to upgrade channel capacity, increase two-way signal delivery capability and to introduce digital video compression ("DVC") decoders in the Calgary cable system. Currently, 80 percent of Shaw's cable systems have at least 77-channel analog capacity (550 MHz). Shaw will use DVC technology in order to expand channel capacity. With the current compression ratio of digital signals to analog signals which may be

carried within the same bandwidth being approximately 8:1, Shaw's systems will be able to offer 150 to 200 channels of capacity. The Company estimates that over 70,000 customers in Calgary, Toronto and Prince George will receive digitally compressed signals through DVC terminals by February, 1998. At the same time, approximately 700,000 homes, or 50 percent of Shaw's residential subscriber base, are projected to be bi-directional and "WAVE-ready". Total capital expenditures are projected to be approximately $175 million in fiscal 1998; approximately $150 million of this amount is anticipated to be spent in the cable/telecommunications area.

Investments

Shaw has, over the past number of years, selectively acquired interests in a number of companies involved in the communications industry that it believes offer potential for value appreciation. In some cases this growth in value is projected to result from strategic alliances between Shaw and the investee corporations.

In April, Shaw acquired 1,500,000 shares of the At Home Corporation ("At Home"), a leading provider of Internet services in the U.S., for $20.8 million. As described in note 5 to the consolidated financial statements, the Company may acquire a further one million shares of At Home at $10.00 U.S. per share as a result of the exercise of warrants over the next seven years. At Home's technical expertise is anticipated to significantly enhance the quality of the Company's WAVE™ Internet service through the development of "community-specific" home pages and web site caching in local and regional servers resulting in improved access to the Internet. Shaw also acquired a three percent interest in WIC Western International Communications Ltd. ("WIC") for $20 million in the current year.

Pending Transactions

Shaw has applied to the CRTC for approval to acquire approximately 54 percent of Star Choice Communications Inc. and a 47.8 percent interest in Headline Sports Network Inc. Star Choice, a public company listed on the Vancouver Stock Exchange, provides satellite-delivered direct-to-home television and audio services in Canada, and also provides satellite uplink signal delivery to Canadian specialty and Pay TV programmers. Star Choice commenced the national roll-out of its DTH services in October and had approximately 23,000 subscribers at October 31, 1997. Star Choice reported net income of $488,000 ($0.03 per share) for the year ended August 31, 1997 compared to a loss of $716,000 ($0.09 per share) in 1996. The principal reasons for the improved results in 1997 were the uplink operations (acquired in the final quarter of 1997) and interest earned on the investment of surplus funds from its September 1996 share issue. As a result of commencing commercial operations in October of 1997, the Company will be amortizing start-up costs and incurring significant costs to build its customer base. Therefore, the Company is expected to incur losses for the immediate future. Headline Sports, which commenced operations in 1996, is a 24-hour sports highlight and program service featuring continuously updated sports scores and information. Its revenues are derived from subscriber affiliate fees and advertising. At August 31, 1997, the service was available to 1.6 million Canadian subscribers.

Valuation of Investment in TCI Music, Inc.

As discussed in note 5 to the consolidated financial statements, the operations of DMX, Inc. were merged with TCI Music, Inc., a wholly-owned subsidiary of Tele-Communications Inc. ("TCI"). The combination of the financial strength and management expertise of TCI, the largest cable television operator in the U.S., and the anticipated growth of the residential and commercial digital music service should positively

impact the value of TCI Music, Inc.'s shares in the medium to long term. Therefore, the Board of Directors and management have concluded, given the recent positive change in the ownership and operations of TCI Music Inc., that it is appropriate to maintain the investment at the current recorded valuation in the consolidated financial statements.

Long-Term Debt/Financial Instruments

Long-term debt (including preferred shares) was $1.478 billion at August 31, 1997 compared to $1.277 billion last year, representing a debt to cash flow ratio of 4.91 to 1 versus 4.89 to 1 in 1996. The increase in debt is mainly the result of the net financing of capital expenditures and investment activities. The debt to cash flow ratio is based upon annualized fourth quarter results and compares favourably to other large companies in the industry.

In March of 1997, the Company issued $203 million U.S. and $45 million Cdn. of 2007 Series debentures as a result of the exercise of debenture purchase warrants issued in October of 1996 in the amount of $31.4 million. The debentures, with effective rates of 8.2 percent (U.S. series) and 9.2 percent (Canadian series), require equal annual principal repayments commencing March 19, 2005. The net proceeds of the issue were used to reduce operating and long-term bank loans.

At August 31, 1997, virtually all of the interest rates on the Company's long-term debt were fixed through debentures or by means of interest rate exchange agreements. As a result of the issue of Canadian Originated Preferred Securities in October, 1997 (note 14(b)), the Canadian dollar portion of the revolving long-term bank debt will be repaid, causing a temporary "over-swapped" position to occur (i.e. the notional principal amount under interest rate agreements will exceed the actual borrowings under the credit facility). However, management believes that this position, projected to be reduced to zero before the end of fiscal 1999, represents an acceptable "opportunity cost" of the new financing. Assuming the securities remain outstanding until maturity (Series A, 49 years and Series B, 30 years), this financing provides the Company with very attractive rates and maturities not previously attainable. In addition, as a result of unique characteristics related to security, maturity, the ability to defer interest and the ability to satisfy obligations through the proceeds from the issuance of share capital, the securities will be classified as shareholders' equity in the consolidated financial statements. This will reduce interest costs and increase covenant flexibility with respect to the Company's long-term debt.

During the current year, management reassessed the Company's cross-currency interest rate agreement in respect of the principal repayment requirements on the 2003 U.S. debentures in the amount of $50 million U.S. It was determined that, given the relatively long time period to deal with the repayment/refinancing of the U.S. debentures, it was appropriate to cancel the principal portion of the cross-currency swaps and effect a reduction in the notional amounts of Canadian interest rate exchange agreements. Based on current interest rates, estimated annual after-tax interest savings are approximately $1.8 million. In addition, the Company has entered into cross-currency interest rate hedges for only the interest portion of the $203 million U.S. 2007 series debentures. Management is currently monitoring financial market activity and trends with a view to re-entering cross-currency exchange agreements on the principal portion of the U.S. debentures should conditions appear favourable to the Company.

Review of Operations

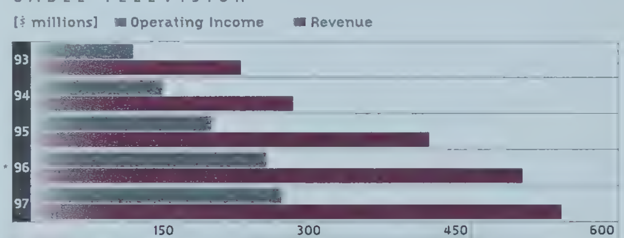
Cable Television

The following analysis is based upon adjusting 1996 results to reflect the sale of cable television systems and the elimination of network affiliate fees between YTV and CMT and the cable division. The latter adjustment is required as a result of the accounting treatment adopted in preparation of the 1997 consolidated financial statements.

Revenue increased by 7.7 percent compared to 1996 pro-forma results due to subscriber growth, rate increases and higher revenue from advertising, pay-per-view and DMX. These factors along with cost controls led to the 6.6 percent growth in operating income.

[thousands of dollars except as indicated]	1997	Pro Forma 1996
Total revenue	**542,308**	503,753
Operating income before amortization	**256,615**	240,658
Operating income as a percentage of revenue	**47.3%**	47.8%
Revenue per subscriber	**$365**	$349
Operating income per subscriber	**$173**	$166

CABLE TELEVISION



* Pro Forma

During 1997, significant sales and marketing initiatives were undertaken to strengthen the customer base by acquisition of new subscribers and increasing the penetration in the discretionary tiers. The success of this effort, which featured employee incentives, is reflected in the following table:

	August 31, 1997	August 31, 1996	Growth	% Increase
Basic Service:				
Actual	**1,509,407**	1,460,885	48,522	3.3
Penetration as percentage	**75.8**	74.8	1.0	
Full Cable Service:				
Tier I	**1,351,424**	1,288,406	63,018	4.9
Penetration as percentage of Basic	**89.5**	88.2	1.3	
Tier II	**1,152,340**	995,938	156,402	15.7
Penetration as percentage of Basic	**76.3**	68.2	8.1	
Pay TV:				
Actual	**149,063**	146,775	2,288	1.6
Penetration as percentage of Basic	**9.9**	10.0	(0.01)	

Rate increases averaging $0.40 per month were implemented to the basic service on January 1, 1997. Increases of $0.60 per month (January 1, 1997) and $1.20 per month (July 1, 1997) were made to Full Cable Service (FCS) rates during 1997. The latter increase, affecting approximately 1.1 million FCS customers, standardized monthly rates for the FCS packages across the country. At August 31, 1997, the average monthly rates in effect for basic service were $17.50 and $10.17 for FCS.

Pay-per-view revenue increased to $6.8 million from $4.8 million last year as a result of the expansion of channels from nine to 15 in a number of systems and higher "buy rates", particularly for sporting events. DMX commercial revenue doubled to $4 million due to customer growth, while advertising services revenue increased by 14.5 percent to $13.4 million. The TV Listings services introduced a split screen format, resulting in a higher availability of advertising time.

Total cable operating expenses in 1997 were $285.7 million or $192 per subscriber, compared to $263.1 million or $181 per subscriber in 1996. The principal components of these costs are:

[thousands of dollars except amounts per subscriber]	1997	Amount per Subscriber	1996 (Pro Forma)	Amount per Subscriber
Operations and administration	**138,128**	**$ 93.00**	122,093	$ 84.00
Network fees	**110,022**	**74.00**	103,476	71.00
Agreement and franchise charges	**17,130**	**11.00**	16,359	11.00
Copyright fees	**13,340**	**9.00**	14,354	10.00
Cable Production Fund	**7,073**	**5.00**	6,813	5.00
	285,693	**$192.00**	263,095	$181.00

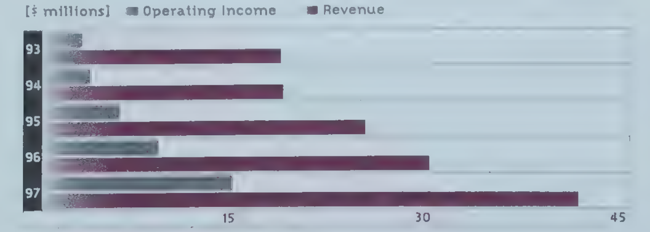
The increase in operations and administration was primarily the result of marketing projects introduced in 1997, as well as higher staff levels at the systems and head office level. Network fees have grown as a result of the increased penetration of Tier II of FCS and the growth in pay-per-view revenue. The decrease in copyright fees occurred because of the final determination of Tariff 17, resulting in a net cost to Shaw of approximately $0.06 per month per basic subscriber. In common with other members of the cable industry, Shaw had been accruing this liability at $0.10 per month per basic subscriber prior to 1997.

Radio

Total revenue for 1997 was $41.1 million versus $29.7 million last year. Current year results include CKRY-FM, Calgary, and CING-FM, Burlington, acquired January 1 and July 1 respectively. The addition of these two stations accounted for approximately 56 percent of the growth in revenue. Continued strong ratings performance of the division's other stations has led to higher revenue in 1997, particularly at CFNY-FM, Toronto, where advertising revenue improved by 27.7 percent in the current year. The revenue growth, combined with continuing emphasis on cost controls, enabled the division to improve operating income to $14.6 million (35.6 percent of revenue) from $8.9 million (29.9 percent of revenue) in 1996.

RADIO

[$ millions] Operating Income Revenue



Programming

Total revenue was $61.9 million in 1997. Both YTV and CMT experienced significant gains in advertising revenue because of continued strengthening in viewership and ratings. YTV's advertising revenue increased by 17.1 percent, while CMT (acquired by Shaw November 1, 1996) enjoyed a 54.3 percent growth in its third year of operation. Continued emphasis on family-oriented programming has solidified YTV's position as one of Canada's most successful specialty services. At CMT, viewership has grown as the service has benefited from the growing popularity of Canadian country music artists. Total operating income was $14.9 million (24.1 percent of revenue), an increase of almost 12 percent from 1996, resulting from the improvement in revenue in the current year.

Telecommunications

In its second year of operation, Shaw FiberLink more than doubled its revenue to $14.2 million in 1997 (1996 – $6.3 million) while operating income improved to $3.3 million. This growth resulted from expansion of the customer base and the increase of services provided to existing customers. The division's uplink operations, transferred to Star Choice in connection with the pending acquisition of a 54 percent interest in that company, accounted for $3.3 million in revenue and $1.2 million in operating income in 1997. However, it is anticipated that continued development of the division's market potential should enable FiberLink to continue to achieve comparable levels of growth in the future.

Paging

Total revenue increased to $28.8 million from $26.2 million last year primarily as a result of the inclusion of 1996 acquisitions for the entire year in 1997. Total paging subscribers were 117,253 at August 31, 1997 compared to 116,238 last year. Advertising and cross promotions with other Shaw divisions were undertaken to achieve this growth. Revenue per subscriber (1997 – $247.00, 1996 – $256.00) has decreased because of competitive pressures resulting in a decline in operating income to $3.7 million ($32.00 per subscriber) compared to $4.6 million ($45.00 per subscriber) in 1996. A number of steps have been implemented in 1997, including the consolidation of paging operations into other Shaw division facilities in order to reduce operating costs and at the same time facilitate synergistic subscriber growth opportunities.

Pending Transactions

Shaw has agreed, subject to CRTC approval, to sell a number of cable television systems serving approximately 110,000 basic subscribers in south west and south east Ontario and to acquire three systems in B.C. and Alberta with approximately 72,000 subscribers. During 1997, the systems being sold generated approximately $44.1 million in revenue and $24.1 million in operating income before interest, amortization and income taxes. Revenue and operating income of the systems being acquired were approximately $25 million and $14.6 million respectively in 1997. The systems being purchased will be integrated into Shaw's existing clusters thereby strengthening the division's market presence in B.C. and Alberta. The Ontario systems being sold are located outside the Company's Greater Toronto system group and were therefore considered to be non-strategic in terms of synergistic growth opportunities.

Cable Television Regulatory Environment

On March 11, 1997, the CRTC issued Public Notice 1997-25 establishing a new regulatory framework for broadcasting distribution undertakings, including cable television. The new regulatory framework adopts the proposals in Public Notice 1996-69 discussed in last year's MD&A with certain changes, the most significant relating to the regulation of rates.

Under current regulations, the CRTC regulates the basic service rates of Class 1 cable systems (6,000 or more subscribers). The CRTC had proposed to maintain this rate regulation until such time as the basic service of a competing distributor became available to 10 percent or more of the households in a cable system's licensed territory. Under the new framework, deregulation will come into effect when the basic service of a competitor is available to 30 percent or more of the households in a cable system's licensed territory and the number of the system's basic service subscribers existing at the date of competitive entry has decreased by at least five percent from the date of such entry.

The capital expenditure allowances for rate increases have been eliminated, as previously proposed by the CRTC, effective August 31, 1996. Capital expenditures incurred after that date are no longer eligible for rate increases. The related "sunset provision" previously in the regulations has also been removed. That provision required the removal of capital expenditure rate increases from the rate base after five years unless the cable operator elected to contribute one-half of that amount to an independent programming fund. As a result, that portion of the basic monthly fee attributable to capital expenditure increases implemented prior to August 31, 1996 will remain embedded in the rate base on a going-forward basis.

The CRTC had proposed to establish partial indexing rate increases, based on the annual increase in the Consumer Price Index minus a productivity offset of two percentage points. This proposal will not be adopted under the new framework. However, the mark-ups on pass-through rate increases for networks carried on the basic service, that were to be deleted under the previous proposals, will be retained. This provision allows cable systems in anglophone markets to add $0.02 per subscriber per month to the fee that each network charges to the cable operator when its programming service is distributed as part of the basic service. The CRTC's current and proposed regulatory framework permits an automatic pass-through of the fees charged by the network to cable operators.

The CRTC had also proposed the elimination of provisions permitting fee increases based on economic need. These provisions will be retained under the new framework.

Risks and Uncertainties/Competition

Shaw's cable television business faces competition from entities utilizing other communications technologies and may face competition from other technologies being developed or to be developed in the future. In addition, recent regulatory and public policy trends favour the emergence of a more competitive environment.

Shaw's cable television systems generally compete with the direct reception of over-the-air local and regional broadcast television signals by antenna, and either compete or may in the future compete with other distributors of television signals to homes for a fee, including DTH satellite services, satellite master antenna systems ("SMATV"), multichannel, multipoint distribution systems ("MMDS"), local multipoint communications systems ("LMCS") and telephone companies. In 1996, the CRTC granted licences to operate competitive cable distribution systems within the same authorized service areas of incumbent cable licencees, including Shaw. To date, none of these competitors has had a material impact on Shaw's operations.

Telephone companies in Canada have historically been precluded by law or CRTC policy from providing cable television services except in a very limited number of remote or rural communities. However on May 1, 1997, the CRTC announced that telephone companies will be eligible to hold broadcasting distribution licences as of January 1, 1998 provided that certain terms and conditions of local telephone service competition, such as number portability and access to facilities, are met. As of June 16, 1997, telephone companies are permitted to file applications for broadcasting distribution licences. Several Canadian telephone companies have announced their intention to file such applications. Accordingly, it is anticipated that Shaw's cable systems will likely face competition from telephone companies in the future.

DTH delivers programming by which signals are sent directly to receiving dishes from high-powered satellites, as opposed to broadcast, cable delivery or lower powered transmissions. DTH services presently provide more channels than some of Shaw's cable systems and are fully digital. Two DTH operators, Star Choice (Shaw owns approximately 54 percent) and ExpressVu, are currently providing DTH services in Canada.

Regulatory actions to increase competition in the cable television industry, together with competition from other distribution technologies, including new or developing technologies, could result in a net loss of subscribers by Shaw. The full extent to which developing media will compete with Shaw's cable television systems may not be known for several years.

Response to Competition

Cable television is Shaw's core business, providing the customer base and physical infrastructure for most of Shaw's communications and media services. Shaw operates the third largest cable television business in Canada and is the largest cable television provider in western Canada, having grown both internally and by acquisitions. Shaw serves approximately 1.5 million cable subscribers in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario. Shaw's subscriber base constitutes approximately 18 percent of the Canadian cable television market.

Approximately 85 percent of Shaw's cable systems are concentrated in major urban markets with favourable demographics and growth potential. The balance of Shaw's subscribers are in smaller clusters, linked either to each other or to larger markets. Shaw has achieved a critical mass of subscribers in its larger markets by completing selected acquisitions, using a clustering strategy and seamlessly integrating new customers. Clustering involves establishing a regional office to provide subscriber services to several contiguous communities and creates operating efficiencies through shared facilities and services and eliminating operating redundancies. Shaw continually evaluates acquisition opportunities that are consistent with its clustering strategy.

Shaw's operating strategy is to continue to remain a low-cost service provider while expanding its operations in order to provide more services to more households and businesses in Canada.

A key component of Shaw's strategy will be to deploy new technologies to increase channel capacity, take advantage of its existing infrastructure to expand the range and quality of its services and to expand its programming and non-programming services. To strengthen its competitive position and expand its operations and service, Shaw has already undertaken a number of initiatives, including:

improvements in customer service in areas such as hours of service and service request response times;

the acceleration of plant upgrades to increase capacity, improve system capabilities, enhance signal quality and improve system reliability;

the introduction of Digital Video Compression technology with the ability to increase the capacity of an analog channel eight-fold and provide new services;

increasing brand recognition by marketing the various services offered by Shaw under a common brand; and

becoming a more diversified company by increasing its interests in radio, media and telecommunications services.

Shaw is an active participant in several new developments designed to strengthen and diversify the products, services and technology of the Canadian cable television industry. For example, Shaw took a leadership position in the launch of CableSat, an organization developed by a consortium of cable operators to distribute digitally-compressed satellite-delivered signals to cable companies across Canada. Through vision.com, a national organization formed by the Canadian cable television industry to develop the information highway, Shaw is cooperating with other Canadian cable operators to jointly develop and market services. Shaw believes such activities will lead to new services and programming choices for subscribers while creating new sources of revenue.

Shaw's research and development program includes a partnership in the Canadian Cable Labs Fund, which supports research by Canadian universities and advanced technology companies, and a membership in the Cable Television Laboratories Inc., a Colorado-based research organization jointly funded by most of the major cable companies in North America. Canadian Cable Labs Fund works closely with its U.S. counterpart to ensure research and development efforts are complementary.

SHAW COMMUNICATIONS INC.

1997 FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Shaw Communications Inc. and all the information in this annual report are the responsibility of management and have been approved by the Board of Directors.

The financial statements have been prepared by management in accordance with generally accepted accounting principles. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the annual report and has ensured that it is consistent with the financial statements.

Shaw Communications Inc. maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility through its Audit Committee.

The Audit Committee is appointed by the Board, and all of its members are outside and unrelated directors. The Committee meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities, and to review the annual report, the financial statements and the external auditors' report. The Committee reports its findings to the Board for consideration when approving the financial statements for issuance to the shareholders. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or re-appointment of the external auditors.

The financial statements have been audited by Ernst & Young, the external auditors, in accordance with generally accepted auditing standards on behalf of the shareholders. Ernst & Young has full and free access to the Audit Committee.

J.R. Shaw

Chairman of the Board and Chief Executive Officer

R. D. Rogers

Senior Vice President and Chief Financial Officer

To the Shareholders of
Shaw Communications Inc.

We have audited the consolidated balance sheets of Shaw Communications Inc. as at August 31, 1997 and 1996 and the consolidated statements of income and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 1997 and 1996 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

Ernst & Young
Chartered Accountants

Calgary, Canada
October 10, 1997

[thousands of dollars]	As at August 31 1997	1996 (Restated)
Assets (note 9)		
Current		
Accounts receivable (note 8)	**45,550**	40,679
Income taxes recoverable		7,651
Prepaids and other	**17,032**	20,096
	62,582	68,426
Investments and other assets [note 5]	**156,246**	81,080
Property, plant and equipment [note 6]	**879,391**	750,504
Deferred charges	**57,334**	23,302
Subscriber base and broadcast licences [note 7]	**1,294,648**	1,264,569
	2,450,201	2,187,881
Liabilities and Shareholders' Equity		
Current		
Bank indebtedness [note 8]	**20,876**	17,594
Accounts payable and accrued liabilities	**116,740**	141,142
Income taxes payable	**17,536**	
Unearned subscriber revenue	**35,779**	29,762
Current portion of long-term debt	**70,192**	41,132
	261,123	229,630
Long-term debt [note 9]	**1,408,059**	1,236,217
Deferred credits	**39,933**	13,812
Deferred income taxes	**161,012**	140,628
Minority interest	**698**	
	1,870,825	1,620,287
Shareholders' equity [note 10]		
Share capital	**5,521**	5,631
Contributed surplus	**362,410**	362,299
Retained earnings	**211,445**	199,664
	579,376	567,594
	2,450,201	2,187,881

See accompanying notes

On behalf of the Board:

Director

J.R. Shaw

Director

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

[thousands of dollars except per share amounts]	Years ended August 31 1997	 1996 (Restated)
Revenue [note 3]	**688,363**	610,574
Operating, general and administrative expenses	**395,201**	338,963
Operating income before amortization [note 3]	**293,162**	271,611
Amortization	**(108,842)**	(92,169)
Operating income before interest	**184,320**	179,442
Interest [note 9]	**(135,403)**	(130,832)
Operating income before the following	**48,917**	48,610
Gain on sale of cable systems		109,907
Writedown of paging assets [note 2]	**(23,094)**	
Other revenue (expenses)	**1,210**	(3,425)
Income from continuing operations before income taxes	**27,033**	155,092
Income taxes [note 11]	**(26,815)**	(74,965)
Net income from continuing operations	**218**	80,127
Discontinued operations [note 2]	**16,374**	(16,374)
Net income	**16,592**	63,753
Retained earnings, beginning of year	**199,664**	140,721
Dividends paid	**(4,811)**	(4,810)
Retained earnings, end of year	**211,445**	199,664
Earnings per share [note 1]		
Net income from continuing operations	**$ 0.01**	$ 1.14
Discontinued operations	**0.23**	(0.23)
	$ 0.24	$ 0.91

See accompanying notes

[thousands of dollars except per share amounts]	Years ended August 31 1997	1996 (Restated)
Operating Activities		
Net income from continuing operations	**218**	80,127
Add (deduct):		
Amortization	**108,842**	92,169
Deferred income taxes	**11,505**	60,955
Amortization of non-current program rights	**9,025**	
Writedown of paging assets	**23,094**	
Equity income		(1,250)
Gain on sale of cable systems		(109,907)
Other	**(937)**	1,601
Cash flow from continuing operations	**151,747**	123,695
Net change in non-cash working capital balances related to operations	**42,328**	4,464
	194,075	128,159
Investing Activities		
Additions to property, plant and equipment	**(227,003)**	(199,778)
Business acquisitions net of amounts payable [note 4]	**(71,321)**	(61,861)
Proceeds on sale of assets		263,105
Investments and other assets	**(72,466)**	(14,214)
Additions to deferred charges	**(27,498)**	(5,969)
	(398,288)	(18,717)
Financing Activities		
Increase in long-term debt	**497,112**	223,645
Long-term debt repayments	**(319,918)**	(235,280)
Proceeds on issue of debenture purchase warrants	**31,388**	
Repurchase of preferred shares		(75,000)
Preferred shares redeemed	**(2,840)**	(720)
Dividends paid	**(4,811)**	(4,810)
	200,931	(92,165)
Net increase (decrease) in cash during the year	**(3,282)**	17,277
Cash position, beginning of the year	**(17,594)**	(34,871)
Cash position, end of the year	**(20,876)**	(17,594)
Cash flow from continuing operations per share	**$ 2.17**	$ 1.77

See accompanying notes

August 31, 1997

1. Significant Accounting Policies

Shaw Communications Inc. is a public company listed on the Toronto and Alberta stock exchanges. Cable television services in Canada are the principal source of revenues. Media, including radio broadcasting and programming services, together with telecommunications and paging are the other areas of revenue generation. The consolidated financial statements are prepared by management on the historical cost basis in accordance with accounting principles generally accepted in Canada.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and those of its subsidiaries, all of which are wholly owned except for 3247236 Canada Inc. (80% owned), which operates the Canadian Country Music video specialty television network, CMT.

The results of operations of subsidiaries acquired during the year are included from their respective dates of acquisition.

Investments in entities over which the Company exercises significant influence are accounted for using the equity method. Other investments are recorded at cost and written down only when there is evidence that a decline in value that is other than temporary has occurred.

Income and Expenses

Income from cable television services includes earned subscriber service revenue prior to any network fees. Subscriber service charges billed or paid for in advance are recorded as income when earned. Income includes subscriber connection fees, as they are considered to represent a partial recovery of initial selling expenses and related administrative and general office expenses. Initial subscriber connection costs are capitalized as part of the distribution system and costs of subsequent disconnections and reconnections are expensed as incurred.

Radio and media advertising revenue is recognized in the period in which the advertising is aired.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Amortization is recorded on a straight-line basis over the estimated useful lives of assets as follows:

Asset	Estimated useful life
Cable and telecommunications distribution system	10-15 years
Converters and descramblers	7 years
Radio equipment	10 years
Buildings	20-40 years
Broadcasting and production equipment	5 years
Paging equipment	10 years
Other assets	4-10 years

Deferred Charges

Deferred charges primarily include (i) financing costs and credit facility arrangement fees related to the issue of long-term debt amortized over the period to maturity of the related debt; (ii) marketing costs incurred to launch new specialty networks and services amortized over a two-year period commencing with the commercial offering of the service; (iii) costs in connection with the Shaw Children's Programming Initiative amortized over a five-year period; (iv) foreign exchange losses on translating long-term debt; and, (v) program rights.

Rights to broadcast programs under various long-term contracts are recorded as assets and the related liabilities are recorded when the programs are available for telecast under a licence agreement. The cost of each contract is amortized over its duration. If they are assessed as having no future benefit they are fully amortized.

Programs produced by the Company are recorded at cost, including direct production costs and an appropriate share of overhead. These costs are included in program rights and are fully amortized as played, over a maximum period of three years. Any income earned relating to the sale of these programs is recorded as program distribution revenue over the life of the related contracts.

Subscriber Base and Broadcast Licences

The excess of the cost of acquiring cable, radio, telecommunications, media and paging businesses over the fair value of related net identifiable tangible and intangible assets acquired is allocated to goodwill. Net identifiable intangible assets acquired consist primarily of subscriber base and broadcast licences. Commencing in 1992, amounts allocated to subscriber base on cable acquisitions are amortized using the sinking fund method with an interest rate of 4% over 40 years. Amounts allocated to broadcast licences and goodwill are amortized on a straight-line basis over 40 years. These assets are written down if there is evidence of a permanent impairment in their value to the Company. The potential impairment of these assets is measured against the discounted value of future operating income before amortization, taxes and interest. The Company does not believe that an impairment of the carrying value has occurred.

Deferred Credits

Deferred credits include (i) amounts received for debenture warrants that are being amortized against long-term interest expense on a straight-line basis over the period to maturity of the related debenture; (ii) foreign exchange gains on translating long-term debt; and (iii) mark-to-market adjustments in respect of interest rate swap obligations assumed as a cost of acquisitions and being paid over the term of the related swaps.

Income Taxes

Income taxes have been provided on the tax allocation basis whereby the provision for income taxes is determined on the basis of income and expenses included in the statements of income rather than the related amounts reported in the income tax returns of the Company and its subsidiaries.

Foreign Exchange

Long-term debt denominated in U.S. dollars is translated into Canadian dollars at the year-end rate of exchange or at the hedge rate of exchange when cross-currency interest exchange agreements are in effect. Exchange gains or losses on translating this long-term debt are deferred and amortized on a straight-line basis over the remaining life of the debt and are included in deferred credits or deferred charges.

Financial Instruments

a) Derivatives

The Company uses derivative financial instruments to manage risks from fluctuations in exchange rates and interest rates. These instruments include cross-currency interest rate exchange agreements and interest exchange agreements. All such instruments are only used for risk management purposes. The Company accounts for these financial instruments as hedges and as a result the carrying values of the financial instruments are not adjusted to reflect their current market value. The net receipts or payments arising from financial instruments relating to interest are recognized in interest expense on an accrual basis. Gains or losses arising from the translation of U.S. dollar denominated debt under cross-currency interest rate exchange agreements are deferred and amortized on a straight-line basis over the remaining life of the cross-currency interest rate exchange agreements.

b) Preferred Shares

During the current year, the Company retroactively applied the new recommendations of the Canadian Institute of Chartered Accountants ("CICA") pertaining to financial instruments and is classifying mandatorily redeemable preferred share capital and dividend entitlements thereon as long-term debt and interest expense respectively. This change in accounting policy has reduced the previously reported 1996 retained earnings by $243,000 to $199,644,000 and 1996 net income by $4,179,000 to $63,753,000. Earnings per share of $0.91 in 1996 were not affected.

Earnings Per Share

Earnings per share are calculated based on the weighted average number of participating shares outstanding during the year (1997 – 70,008,000; 1996 – 69,999,000). The Convertible Preferred Shares, Series II and the potential number of Class B shares issuable under the terms of the Company's stock option plan (note 10) are not dilutive.

2. Retention of Discontinued Operations

On May 30, 1996, the Board of Directors authorized the sale of the Company's paging and messaging assets by way of a formal auction process. During the process, significant declines in the public market valuations of paging operations had a negative impact on the auction process, resulting in the decision to withdraw the paging and messaging assets from the market.

After the date of the decision to retain the paging division, an evaluation was made of the division's assets and a $23,094,000 impairment write-down was recorded in the accounts as a charge against continuing operations.

As a result, the paging division's results have been included in continuing operations for 1997 and in the restated 1996 consolidated financial statements. In 1996, paging results were included in discontinued operations. Also, the estimated loss on disposal of the paging division was reversed in the current year and classified as part of discontinued operations.

3. Segmented Information

The Company's primary activities relate to the ownership and operation of cable television systems in Canada. Operations also include Canadian radio broadcasting, programming, telecommunications and paging, the results of which are consolidated in the accompanying financial statements.

For information purposes, the following schedule sets out revenue and operating income on a divisional basis.

	1997			1996		
(thousands of dollars)	Revenue $	Operating income before amortization $	%	Revenue $	Operating income before amortization $	%
					(Restated – note 2)	
Cable television	**542,308**	**256,615**	**47.3**	540,679	256,128	47.4
Radio	**41,118**	**14,630**	**35.6**	29,711	8,887	29.9
Programming	**61,939**	**14,920**	**24.1**	7,653	472	6.2
Telecommunications	**14,155**	**3,250**	**23.0**	6,297	1,511	24.0
Paging	**28,843**	**3,747**	**13.0**	26,234	4,613	17.6
	688,363	**293,162**	**42.6**	610,574	271,611	44.5

4. Business Acquisitions and Divestitures

A summary of net assets acquired through business acquisitions, accounted for as purchases, is as follows:

[thousands of dollars]	1997 $	1996 $
Identifiable net assets acquired at assigned fair values		
Working capital	**2,702**	7,244
Property, plant and equipment	**2,766**	18,925
Investments and other assets		4,256
Broadcast licences	**47,361**	47,428
Subscriber base		12,811
	52,829	90,664
Long-term debt		7,500
Deferred income taxes	**1,394**	79
Minority interest	**631**	
	2,025	7,579
Purchase price	**50,804**	83,085

a) Acquisitions

i) 1997

During 1997, the Company purchased radio station CKRY-FM ("Country 105") in Calgary, Alberta for $17,764,000; 80% of CMT Canada, the Canadian country music video specialty network for $27,485,000; and radio station CING-FM in Burlington, Ontario for $5,555,000. Consideration for these acquisitions was cash.

ii) 1996

During 1996, the Company acquired two paging and messaging operations; 65.7% of YTV Canada, Inc. (which resulted in the 100% ownership of YTV by the Company); and a cable television system in Portage la Prairie, Manitoba for $83,085,000. Approximately $61.8 million of the consideration was in cash, with the balance in accounts payable that were paid during the current year.

b) Divestitures

During 1996, the Company sold its interest in a U.K. cable television operation, two cable television systems in Nova Scotia, and its cable television system in North/West Vancouver/White Rock, B.C. for a total of $254,466,000 in cash, resulting in a pre-tax gain of $109,907,000.

5. Investments and Other Assets

[thousands of dollars]	1997 $	1996 $
Investments at cost:		
TCI Music, Inc. (market value – $19,460; 1996 – $11,051)	**41,695**	41,695
Moffat Communications Limited (market value – $24,398; 1996 – $18,393)	**12,227**	12,227
Microcell Telecommunications Inc.	**10,401**	10,401
At Home Corporation (market value – $39,823)	**20,818**	
WIC Western International Communications Ltd. ("WIC") (market value – $19,461)	**19,973**	
Amounts paid in advance on investments subject to CRTC approval, at cost:		
Star Choice Communications Inc.(54% interest)	**31,322**	
Headline Sports Television Network(47.8% interest)	**7,704**	
Employee loans	**10,471**	7,406
Deposits and sundry investments	**1,635**	9,351
	156,246	81,080

On July 11, 1997, the operations of DMX Inc. were merged with those of TCI Music, Inc. Shareholders of DMX Inc. received one Class A share of TCI Music, Inc. in exchange for each four Class A shares of DMX Inc., as well as the right to require Tele-Communications, Inc. ("TCI") to repurchase the Company's 1,900,000 shares for $8.00 U.S. per share in the event that the market price of the Class A shares does not equal or exceed that amount for at least 20 consecutive trading days during the one-year period commencing July 11, 1997. This obligation may be satisfied by way of cash and/or shares of TCI.

At August 31, 1997, the Company owned 938,400 common shares of Moffat. Moffat operates a number of cable television systems in Canada and the U.S., and owns television station CKRY in Winnipeg and 53% of the Canadian specialty service Women's Television Network.

Microcell is a Canadian corporation providing personal communications services ("PCS"), which offer customers advanced, secure, two-way digital wireless services and applications. The Company's initial investment in Microcell was acquired as a result of an acquisition in 1995, and increased through a purchase of a further 402,788 shares for $6.4 million in 1996. At August 31, 1997 the Company owned 3,138,861 common shares of Microcell, representing a 10% interest. If currently outstanding warrants are fully exercised, this interest would be reduced to 8.5%. Subsequent to August 31, 1997, the Company acquired a further 1,350,000 shares of Microcell through an initial public offering at $15 per share in order to maintain this interest on a fully diluted basis. Based on the initial public offering price and subsequent purchase of shares, the Company's interest in Microcell would have a carrying value of $30,651,000 and a fair market value at that time of $67,332,000.

During 1997, the Company acquired 1,500,000 Class A common shares of At Home under the terms of an agreement granting the Company, along with Rogers Communications Inc., the exclusive rights to distribute @Home, a high speed Internet access service developed by At Home, in Canada under the "WAVE@Home" brand, as well as the right to license other cable companies to distribute the service in Canada. In addition, the Company also received warrants to purchase up to an aggregate of 1,000,000 Series A common stock of At Home at $10.00 U.S. per share. These warrants will become exercisable on April 11, 2004 or earlier upon the achievement of certain performance milestones with respect to the distribution of the WAVE@Home service in Canada.

The Company purchased 776,900 Class B non-voting shares of WIC for investment purposes through open market purchases during the year. WIC, a public corporation listed on The Toronto Stock Exchange, has significant interest in the Canadian telecommunications

industry, including eight television stations, pay and pay-per-view television services, 12 radio stations and Canadian Satellite Communications Inc. ("Cancom"), a provider of satellite-delivered television signals.

Investments subject to CRTC approval:

a) Star Choice is a direct-to-home ("DTH") satellite operator distributing digital subscription video and audio programming services throughout Canada. Star Choice also provides television signal uplink distribution services to Canadian specialty and pay television programmers, and has applied to the CRTC for a licence to provide satellite-delivered television signals to cable operators and other distributors commencing in 1998. Consideration for the acquisition consisted of approximately $2 million cash plus the shares of HomeStar Services Inc., a wholly-owned subsidiary owning satellite uplink assets valued at $30 million and cash of approximately $23.4 million.

b) Headline Sports operates a 24-hour national sports information television service which is currently available to approximately 4.9 million Canadian cable television subscribers. Amounts advanced at August 31, 1997, include $1.3 million of secured loans to Headline Sports.

6. Property, Plant and Equipment

	1997		1996	
[thousands of dollars]	Cost $	Accumulated amortization $	Cost $	Accumulated amortization $
Cable and telecommunications distribution systems	**839,347**	**188,358**	712,778	153,393
Converters and descramblers	**67,322**	**15,936**	33,344	10,522
Radio production equipment	**9,121**	**4,970**	8,253	4,101
Paging equipment	**39,601**	**12,998**	34,546	9,291
Buildings	**92,854**	**17,515**	87,455	13,848
Other assets	**83,434**	**32,435**	70,095	24,809
	1,131,679	**272,212**	946,471	215,964
Land	**19,924**		19,997	
	1,151,603	**272,212**	966,468	215,964
Net book value	**879,391**		750,504	

Labour costs attributable to construction are capitalized as part of the distribution systems. In 1997, the amount capitalized was $23,481,000 (1996 – $21,249,000).

Amortization provided in the accounts on property, plant and equipment for 1997 amounted to $86,418,000 (1996 – $72,337,000).

7. Subscriber Base and Broadcast Licences

	1997		1996	
[thousands of dollars]	Cost $	Accumulated amortization $	Cost $	Accumulated amortization $
Subscriber base	**1,175,439**	**59,783**	1,175,439	46,234
Broadcast licences	**189,930**	**10,938**	141,937	6,573
	1,365,369	**70,721**	1,317,376	52,807
Net book value	**1,294,648**		1,264,569	

Amortization provided in the accounts on subscriber base and broadcast licences amounted to $17,914,000 (1996 – $15,329,000).

8. Bank Indebtedness

The Company presently has a $30,000,000 revolving operating loan facility collateralized by a general assignment of accounts receivable ranking in priority to all security on the debentures (other than the Series B debentures). Interest rates and borrowing options are the same as those contained in the credit facility described in note 9.

9. Long-term Debt

[thousands of dollars]	Effective interest rates %	1997 $	1996 $
Mortgage, due in 1999	**7.85**	**1,890**	1,927
Mortgage, due in 2001	**11.50**	**147**	183
Debentures:			
1998 Series, due April 8, 1998	**9.91**	**35,000**	35,000
Series B, due July 29, 1999	**10.80**	**60,000**	60,000
2003 Series, due January 8, 2003	**11.09**	**24,000**	24,000
2003 (U.S.) Series, due February 4, 2003	**9.23**	**69,390**	59,200
2005 Series, due November 30, 2005	**9.40**	**156,300**	156,300
2007 Series, due March 19, 2007	**9.22**	**45,000**	
2007 (U.S.) Series, due March 19, 2007	**8.20**	**281,720**	
2008 Series, due January 8, 2008	**11.33**	**42,000**	42,000
Bank loans	**Fixed and variable**	**688,595**	802,144
Notes payable in annual instalments of of $19,546 on July 31	**7.521**	**58,638**	78,184
		1,462,680	1,258,938
Senior preferred shares		**4,571**	7,411
Convertible preferred shares, Series II		**11,000**	11,000
		15,571	18,411
		1,478,251	1,277,349
Less current portion		**70,192**	41,132
		1,408,059	1,236,217

Interest on long-term debt included in interest expense in the consolidated statement of income, amounted to $135,403,000 (1996 – $130,294,000).

The effective interest rates on the 1998, 2003, 2003 (U.S.) 2007, 2007 (U.S.) and 2008 series debentures represent the coupon rates on those debentures plus interest rate adjustments related to the amendments of financial covenants to conform with those contained in the Company's syndicated bank facility, reduced by the effect of amortizing the proceeds of debenture purchase warrants. The effective interest rate on the 2005 Series debentures represents the coupon rate on those debentures plus the cost of an interest rate hedge agreement. Cross-currency interest rate swap agreements have been entered into to fix the liability for interest payments on the 2003 (U.S.) and 2007 (U.S.) debentures in Canadian funds.

Debentures

Collateral for the Series B debentures is a first floating charge on all assets and undertakings of the Company and for the remaining debentures is a floating charge on all the assets and undertakings of the Company ranking behind the Series B security and prior claim of the bank through a general assignment of accounts receivable. The security of the debentures, other than Series B, ranks pari passu with the demand debenture described under bank loans. Under the terms of the security, the Company has undertaken certain covenants and was in compliance with these covenants as at August 31, 1997.

Mandatory retirement payments on the various series of debentures are as follows:

2003 (U.S.) Series Annual payments of $23,680,000 U.S. on February 4, 2001 and 2002 and $11,840,000 U.S. on February 4, 2003.

2005 Series Annual payments of $52,099,834 on November 30, 2003 and 2004 and $52,099,832 on November 30, 2005.

2007 Series Annual payments of $15,000,000 on March 19, 2005, 2006 and 2007

2007 (U.S.) Series Annual payments of $67,700,000 U.S. on March 19, 2005 and 2006 and $67,600,000 U.S. on March 19, 2007

2008 Series Semi-annual payments of $2,100,000 commencing July 8, 2000 with the balance due January 8, 2008.

Other debentures outstanding are payable on their respective due dates.

Bank Loans

A syndicate of banks have provided the Company with a credit facility for one billion dollars, $500 million of which is revolving until February 28, 1999 and revolving on a reducing basis thereafter until repaid by August 31, 2004. The balance of the facility is non-revolving term repayable in 12 semi-annual increasing instalments commencing February 28, 1999 such that the loan is repaid by August 31, 2004. In both cases, the loan reductions are in increasing amounts such that approximately 75% is due in the last three years of the terms. The revolving facility available includes $60 million in the form of letters of credit as collateral for notes payable.

Under the terms of the credit facility, funds are available to the Company in both Canadian and U.S. dollars. At August 31, 1997, the U.S. portion of the bank loans was $135 million U.S. The Company has entered into cross-currency interest rate agreements to fix the liability for interest and principal payments on $85 million U.S. ($114.2 million Canadian) of this amount.

Interest rates on $460.5 million of Canadian dollar borrowings and $85 million U.S. ($114.2 million Canadian) have been fixed by means of interest rate swaps at an average rate of 9.29%. Interest rates on the balance of the bank loans fluctuate with Canadian bankers' acceptance and U.S. Libor rates. The amounts covered by the interest rate swap agreements decrease over time as follows:

	$ millions
1998	566.5
1999	555.0
2000	532.1
2001	470.2
2002	299.3
2003	100.0

The banks hold as collateral a $1.5 billion demand debenture representing a floating charge on all assets of the Company and a general assignment of books debts. The debenture ranks pari passu with the collateral granted under the trust indentures securing the debentures, other than Series B. Under both the credit agreement and the trust indentures securing the debentures, the Company has undertaken to maintain certain covenants. As at August 31, 1997, the Company was in compliance with these covenants.

Principal repayments on long-term debt in each of the next five years are as follows:

[thousands of dollars]	$
1998	54,621
1999	105,865
2000	71,544
2001	81,869
2002	131,714
Thereafter	1,017,067
	1,462,680

Senior Preferred Shares

The Company is authorized to issue an unlimited number of senior preferred shares. The shares are issuable in one or more series with attributes designated by the directors, and are designated as floating rate non-voting cumulative retractable redeemable preferred shares. Dividends on these shares are cumulative and are based upon 50% of the average bank prime rate (subject to minimum and maximum rates of 4% and 6% respectively) with the exception of Series II, which have a dividend rate of 70% of the average bank prime rate. At August 31, 1997, there were 960 Series II shares with a paid up amount of $96,000 outstanding (1996 – 22,510 shares; $2,251,000) and a total of 44,750 Series V, VIII and X shares with a paid up amount of $4,475,000 outstanding (1996 – 51,600 shares; $5,160,000).

The Series II shares are currently redeemable at their paid up amount by the Company; the other Series are not redeemable until after the first day of June or December following the fourth anniversary of their issuances, which will occur commencing in the Company's 1998 fiscal year. All shares of these Series are retractable in whole or in part at their paid up amount by the holders at any time upon sufficient notice to the Company.

Convertible Preferred Shares

The Company is authorized to issue an unlimited number of convertible preferred shares. The shares are issuable in one or more series with attributes designated by the Board of Directors, and are designated as cumulative redeemable retractable floating rate convertible non-voting preference shares. The Series II convertible preferred shares pay cumulative dividends at 6% and were issued July 31, 1995. The shares are convertible into Class B non-voting participating shares at a price of $14.25 per Class B share. They are redeemable at their paid up amount of $25.00 per share commencing December 1, 1998, provided the average market price of the Class B shares during the 30-day period immediately preceding the redemption is in excess of $17.81. The shares are retractable at their paid up amount by the holders in whole or in part on June 1 or December 1 of each year. All outstanding shares must be redeemed by the Company on July 31, 2005.

Preferred Share Transactions

During 1997, 28,400 senior preferred shares with a paid up amount of $2,840,000 were redeemed by the Company (1996 – 7,200 shares; $720,000). During 1996, the Company also repurchased 3,000,000 Series VII senior preferred shares with a paid up amount of $75,000,000 for cancellation.

10. Share Capital

The Company is authorized to issue an unlimited number of Class A participating shares and Class B non-voting participating shares.

Class A shares are convertible at any time into an equivalent number of Class B shares. The Class B shares, with a par value of $.0167 each, are convertible into an equivalent number of Class A shares in limited circumstances.

Issued

[thousands of dollars]

Shares 1997	Shares 1996		1997 $	1996 $
8,832,182	9,056,482	Class A participating shares	**4,502**	4,616
61,182,299	60,946,316	Class B non-voting participating shares	**1,019**	1,015
			5,521	5,631

Share Transactions

During 1997, 224,300 Class A shares with a value of $114,000 were converted to Class B shares (1996 – 3,900 shares; $2,000) and 11,683 Class B shares (1996 – 6,238) were issued at $0.0167 per share pursuant to the Company's stock option plan.

Contributed Surplus

Contributed surplus represents the excess of the issue price of the Class B shares over their $0.0167 par value. In conjunction with a public issue of Class B shares in 1994, 3,000,000 Class B share purchase warrants were issued for $9,000,000. Each warrant entitled the holder to purchase two Class B shares for $16 per share until April 15, 1996. The share purchase warrants were not exercised and the $9,000,000 paid for the warrants was credited to contributed surplus on the expiry date.

Stock Option Plan

Under a stock option plan, options are granted to senior officers and employees to acquire Class B shares at a nominal price. The number of shares that may be issued under the plan varies depending upon the growth in market value of the shares. Options have been granted which could result in the issuance prior to August 2002 of a maximum of 2,299,250 Class B non-voting participating shares at an issue price of $0.0167 per share provided that the average of the high and low trading prices of Class B shares equals or exceeds $40.00 for five consecutive trading days.

Dividends

The holders of Class B non-voting participating shares are entitled to receive during each dividend period, in priority to the payment of dividends on the Class A shares, a preferential non-cumulative dividend. The preferential dividend rate is $0.01 per share per annum but is subject to proportionate adjustment in the event of future consolidations or subdivisions of shares and in the event of any issue of shares by way of stock dividend. After payment or setting aside for payment of preferential non-cumulative dividends on the Class B shares, holders of Class A and B shares participate equally, share for share, as to all subsequent dividends declared.

Share Transfer Restriction

The Articles of Continuance of the Company empower the directors to refuse to issue or transfer any share of the Company that would jeopardize or adversely affect the right of Shaw Communications Inc. or any subsidiary to obtain, maintain, amend or renew a licence to operate a broadcasting undertaking pursuant to the *Broadcasting Act* (Canada).

11. Income Taxes

Differences between income taxes calculated at Canadian statutory rates and the income tax provision are as follows:

[thousands of dollars]	1997 $	1996 $
Income taxes at Canadian statutory rates	**12,138**	71,678
Differences from statutory rates relating to:		
Amortization on amounts assigned to capital assets on business acquisitions not deductible for tax purposes	**9,767**	8,507
Large corporations tax	**1,500**	1,500
Non-taxable portion of (gain) loss on sale/writedown of assets	**3,651**	(6,197)
Other	**(241)**	(523)
Income tax provision	**26,815**	74,965

The components of the income tax provision are as follows:

[thousands of dollars]	1997 $	1996 $
Current	**15,310**	14,010
Deferred	**11,505**	60,955
	26,815	74,965

12. Commitments

a) The Company has various long-term operating lease agreements for the use of transmission facilities and premises amounting to approximately $14.9 million per annum.

b) In its applications to the CRTC for approval of various acquisitions, the Company committed to fund children's programming projects under the Shaw Children's Programming Initiative. The total commitment was for $27.5 million of which $6.6 million has been funded to date.

13. Financial Instruments

The Company has determined the fair value of its financial instruments as follows:

(i) Current Assets and Current Liabilities

Due to the short-term nature of the financial instruments included in current assets and liabilities, the carrying amount in the consolidated balance sheet approximates fair value.

(ii) Investments and Other Assets

a) The fair value of publicly traded shares included in this category is determined by the closing market values for those investments (See note 5).

b) The fair value of employee relocation loans, which are secured by property mortgages, is the carrying value of these loans in the consolidated financial statements.

c) The fair value of other investments in this category approximates their carrying value.

(iii) Long-term Debt

a) Interest charges under the terms of the Company's credit facility are based upon current Canadian bank prime and bankers' acceptance rates and on U.S. bank base and Libor rates. Therefore, carrying value is considered to represent fair market value for bank indebtedness under the terms of the credit facility.

b) Mortgages and notes payable are repayable in less than five years and therefore carrying value is considered to approximate fair value for these instruments.

c) The fair value of the Company's debentures, which were issued by means of private placements with institutional investors, is based upon current trading values of similar instruments.

d) The fair value of the Company's preferred shares is based upon current trading values of similar instruments.

e) The fair value of interest exchange and cross-currency interest exchange agreements is based upon quotations by the counterparties to the agreements.

The estimated fair values of the Company's long-term debt and related interest exchange agreements as at August 31, 1997 and 1996 are as follows:

[thousands of dollars]	1997 Carrying amount $	1997 Estimated fair value $	1996 Carrying amount $	1996 Estimated fair value $
Long-term debt	**1,462,680**	**1,580,195**	1,258,938	1,228,981
Interest exchange agreements:				
Interest exchange agreements		**85,751**		83,535
Cross-currency interest rate exchange agreements		**17,367**		19,772
Preferred shares	**15,571**	**15,571**	18,411	18,411
	1,478,251	**1,698,884**	1,277,349	1,350,699

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

14. Subsequent Events and Pending Transactions

a) The Company has agreed, subject to CRTC approval, to sell a number of cable television systems in Ontario serving approximately 110,000 subscribers valued at $203 million and to acquire three cable systems with approximately 72,000 subscribers in British Columbia and Alberta for approximately $120 million. An after-tax gain of approximately $16 to $17 million is anticipated on the systems sold.

b) On October 2, 1997, the Company completed the issuance of $142.5 million U.S. of Series A Canadian Originated Preferred Securities and $100 million Cdn. of Series B Capital Securities. The Series A Securities, which mature in 49 years, have an interest rate of 8.45% and are callable without premium at the Company's option in five years. The Series B Securities bear interest at 8.54%, mature in 30 years and can be redeemed at a premium in 10 years by the Company.

As a result of a number of unique characteristics related to security, maturity, the ability to defer interest and the satisfaction of obligations through the proceeds from the issuance of stock, they will be classified as shareholders' equity in the consolidated financial statements.

(thousands of dollars except per share amounts and subscriber statistics)	1997	1996	1995	1994	1993
Revenue					
Cable television	**542,308**	540,679	407,226	268,427	214,691
Programming	**61,939**	7,653			
Radio	**41,118**	29,711	24,767	18,506	18,319
Telecommunications	**14,155**	6,297			
Paging	**28,843**	26,234	6,548		
	688,363	610,574	438,541	286,933	233,010
Operating, general and administrative expenses					
Cable television	**285,693**	284,551	222,452	133,076	110,427
Programming	**47,019**	7,181			
Radio	**26,488**	20,824	18,847	14,818	15,229
Telecommunications	**10,905**	4,786			
Paging	**25,096**	21,621	4,972		
	395,201	338,963	246,271	147,894	125,656
Operating income before amortization	**293,162**	271,611	192,270	139,039	107,354
Amortization	**108,842**	92,169	62,886	38,967	30,084
Operating income	**184,320**	179,442	129,384	100,072	77,270
Interest expense	**135,403**	130,832	71,658	37,415	31,059
Gain on sale of assets		109,907			
Write-down of paging assets	**(23,094)**				
Other revenue (expenses), net	**1,210**	(3,425)	3,797	1,856	790
Income from continuing operations before income taxes	**27,033**	155,092	61,523	64,513	47,001
Income taxes	**26,815**	74,965	32,197	31,375	22,885
Net income from continuing operations	**218**	80,127	29,326	33,138	24,116
Discontinued operations	**16,374**	(16,374)			
Net income	**16,592**	63,753	29,326	33,138	24,116
Earnings per share					
Net income from continuing operations	**$0.01**	$1.14	$ 0.45	$ 0.59	$ 0.47
Discontinued operations	**0.23**	(0.23)			
	$0.24	$ 0.91	$ 0.45	$0.59	$ 0.47
Net cash flow from operations	**151,747**	123,695	102,787	78,117	56,086
Cash flow per share[1]	**$2.17**	$1.77	$1.59	$1.42	$1.10
Potential basic cable subscribers	**1,990,697**	1,952,790	2,040.884	1,169,227	1,162,037
Basic cable subscribers	**1,509,407**	1,460,885	1,552,976	905,312	889,671
Penetration (%)	**75.8**	74.8	76.1	77.4	76.6
Full cable service subscribers	**1,362,851**	1,288,406	1,367,927	811,967	786,561
Penetration as percentage of basic (%)	**90.3**	88.2	88.1	89.7	88.4
Pay-TV subscribers (households)	**149,063**	146,775	188,260	81,534	83,293
Penetration as percentage of basic (%)	**9.9**	10.0	12.1	9.0	9.4
Cable revenue per average subscriber ($)	**365**	351	332	299	287
Operating income per average subscriber ($)[2]	**173**	166	154	151	139

(1) Prior to change in non-cash working capital balances.
(2) Cable television operating income before amortization.

	At August 31, 1997			At August 31, 1996		
	Homes Passed	Basic Subscribers	Basic Subscribers as % of Homes Passed	Homes Passed	Basic Subscribers	Basic Subscribers as % of Homes Passed
British Columbia						
Port Alberni/Nanaimo/Parksville/ Nanoose Bay	**70,666**	**56,845**	**80.4**	68,286	54,548	79.9
Duncan/Lake Cowichan	**24,873**	**19,095**	**76.8**	24,128	18,489	76.6
Victoria	**145,420**	**113,615**	**78.1**	143,514	112,017	78.1
Kelowna/Merritt/Vernon/Penticton	**100,380**	**78,571**	**78.3**	97,288	76,178	78.3
Prince George/Quesnel/Williams Lake	**47,249**	**35,098**	**74.3**	46,237	33,916	73.4
Fort St. John/Dawson Creek	**14,962**	**9,072**	**60.6**	14,802	9,148	61.8
Trail/Castlegar/Nelson	**22,719**	**16,610**	**73.1**	22,217	16,426	73.9
Cranbrook/Creston and area	**23,458**	**17,038**	**72.6**	22,641	16,659	73.6
	449,727	**345,944**	**76.9**	439,113	337,381	76.8
Alberta						
Calgary and area	**337,482**	**255,217**	**75.6**	331,054	246,271	74.4
Edmonton/Red Deer and area	**208,960**	**161,040**	**77.1**	207,990	153,335	73.7
Fort McMurray	**13,100**	**10,767**	**82.2**	13,091	10,531	80.4
	559,542	**427,024**	**76.3**	552,135	410,137	74.3
Saskatchewan						
Saskatoon/Prince Albert	**97,831**	**63,576**	**65.0**	96,475	59,085	61.2
Moose Jaw/Swift Current	**26,846**	**17,620**	**65.6**	27,130	16,924	62.4
	124,677	**81,196**	**65.1**	123,605	76,009	61.5
Manitoba						
Winnipeg	**93,883**	**78,874**	**84.0**	93,091	77,990	83.8
Portage la Prairie	**6,419**	**4,667**	**72.7**	6,326	4,667	73.8
	100,302	**83,541**	**83.3**	99,417	82,657	83.1
Ontario						
Greater Toronto area	**381,404**	**315,852**	**82.8**	370,545	310,530	83.8
Barrie/Orillia/Borden and area	**118,691**	**88,200**	**74.3**	116,003	86,315	74.4
Windsor/Chatham/Leamington and area	**147,605**	**84,376**	**57.2**	143,464	76,578	54.4
Smith Falls and area	**17,206**	**11,750**	**68.3**	17,330	11,209	64.7
Red Rock/Marathon and area	**7,382**	**5,873**	**79.6**	7,649	5,858	76.6
Thunder Bay	**48,979**	**37,672**	**76.9**	48,607	37,050	76.2
Sault Ste. Marie	**35,182**	**27,979**	**79.5**	34,922	27,161	77.8
	756,449	**571,702**	**75.6**	738,520	554,701	75.1
Total	**1,990,697**	**1,509,407**	**75.8**	1,952,790	1,460,885	74.8

Annual Meeting

The Annual General Meeting of Shareholders will be held on January 22, 1998 at 10:30 a.m. at the Shaw Conference Centre, 9797 Jasper Avenue, Edmonton, Alberta.

Corporate Governance

Information concerning Shaw's corporate governance policy is contained in the Information Circular and is also available by contacting the Company.

Internet Home Page

The Company's Annual Report, Annual Information Form, Quarterly Reports, Press Releases and other relevant investor relations information are available electronically on the Internet at www.shaw.ca.

Share Capital and Listings

The Company is authorized to issue an unlimited number of Class A participating and Class B non-voting participating shares. At August 31, 1997, the Company had 8,832,182 Class A shares and 61,182,299 Class B shares outstanding. The Class A shares are listed on the Alberta Stock Exchange under the symbol SCL.A. The Class B shares are listed on The Toronto Stock Exchange and the Alberta Stock Exchange under SCL.B.

Trading Range of Class B Shares

	High	Low		Total Volume
Sept. 1, 1996 to August 31, 1997				
First Quarter	$ 9.30	$ 8.00		4,011,564
Second Quarter	$ 9.25	$ 7.50		5,373,196
Third Quarter	$10.20	$ 8.75		10,206,282
Fourth Quarter	$12.40	$ 9.20		16,364,592
Closing Price	$12.10		Total	35,955,634

The volume of trading in Class A shares, which are closely held, is not significant.

Share Splits

There have been two splits of the Company's shares – May 18, 1994 (2 for 1) and September 23, 1987 (3 for 1).

Dividend Policy

The current annual dividend rates are $0.06 per Class A participating share and $0.07 per Class B non-voting participating share. Dividends are subject to review by the Board of Directors on an annual basis.

Further Information

Financial analysts, portfolio managers, other investors and interested parties may contact the Company at (403) 750-4500 for further information.

Quarterly Information

[thousands of dollars except per share amounts]	Operating Revenue	EBITDA(1)	Earnings per Share(2)	Cash Flow	Cash Flow per Share(3)
1997					
Fourth Quarter	179,669	76,115	0.06	47,514	0.68
Third Quarter	176,159	75,472	0.06	37,253	0.53
Second Quarter	167,139	70,636	0.06	33,442	0.48
First Quarter	165,396	70,939	0.06	33,538	0.48
Total	688,363	293,162	0.24	151,747	2.17
1996					
Fourth Quarter	157,590	66,035	0.49	37,932	0.54
Third Quarter	154,482	70,138	0.07	30,380	0.43
Second Quarter	151,700	68,605	0.26	26,714	0.39
First Quarter	146,802	66,833	0.09	28,669	0.41
Total	610,574	271,611	0.91	123,695	1.77

(1) Earnings before interest, taxes, depreciation and amortization.
(2) Earnings per share from continuing and discontinued operations. 1996 results include gains on sales of cable systems of $67 million ($0.96 per share).
(3) Cash flow per share from continuing operations.

Directors

JR Shaw
Chairman of the Board and Chief Executive Officer, Shaw Communications Inc.

John L. Bragg[1]
President, Oxford Foods Ltd.

Clinton C. Forster[2]
President, Forvest Broadcasting Corporation

Jim Dinning[1]
Senior Vice President, Corporate Development, TransAlta Utilities Corporation

George F. Galbraith[1]
Corporate Director

Charles V. Keating[2]
Chairman, Access Cable Television Limited

Rt. Hon. Donald F. Mazankowski[3][4]
Corporate Director

Dorothy Zolf McDonald, Ph.D.[2]
Corporate Director

Jeffrey Royer[1]
Corporate Director

Julia Conway Royer
Corporate Director

Leslie E. Shaw[4]
Chairman, Shaw Industries Ltd.

Heather A. Shaw[3]
Vice President, Shaw Communications Inc.

J.C. Sparkman[4]
Corporate Director

(1) Audit Committee
(2) Human Resources Committee
(3) Corporate Governance Committee
(4) Executive Committee

Officers and Senior Management

JR Shaw
Chairman of the Board and Chief Executive Officer

Jim Shaw
President and Chief Operating Officer

Peter J. Bissonnette
Senior Vice President, Operations, Shaw Cablesystems G.P.

John Cassaday
President, Shaw Media

Michael D'Avella
Senior Vice President, Planning

Louis A. Desrochers
Secretary

Margot M. Micallef
Assistant Corporate Secretary and Corporate Counsel

Michael G. Ostopowich
Vice President, Finance

Ronald D. Rogers
Senior Vice President and Chief Financial Officer

Heather A. Shaw
President, DMX Canada and Shaw Televisual Networks

Ken C. C. Stein
Senior Vice President, Corporate & Regulatory Affairs

James T. (Terry) Strain
President, Shaw Radio Ltd.

Robert C. Watson
President, Shaw FiberLink Ltd.

Corporate Office

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Calgary, Alberta T2P 4L4
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Fax: (403) 750-4501

Auditors

Ernst & Young

Bankers

The Toronto-Dominion Bank

Debenture Trustees

National Trust Company
Montreal Trust Company of Canada
IBJ Schroder Bank & Trust Company

Transfer Agent

CIBC Mellon Trust Company
1-800-387-0825

To receive an annual report of the Shaw Children's Programming Initiative, please call (403) 750-4612

To receive an Annual Report for Shaw Communications Inc., please fax your request to (403) 750-4501

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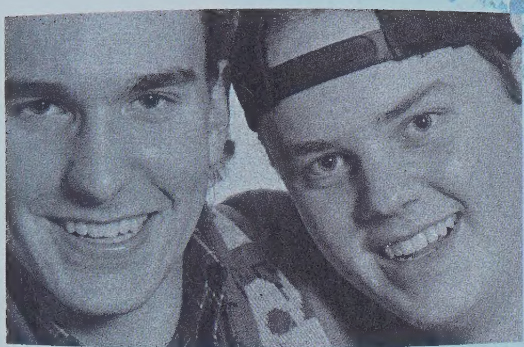

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